



華融國際金融控股有限公司

HUARONG INTERNATIONAL FINANCIAL HOLDINGS LIMITED

(incorporated in Bermuda with limited liability)
(Stock Code: 993)

INTERIM REPORT

2022



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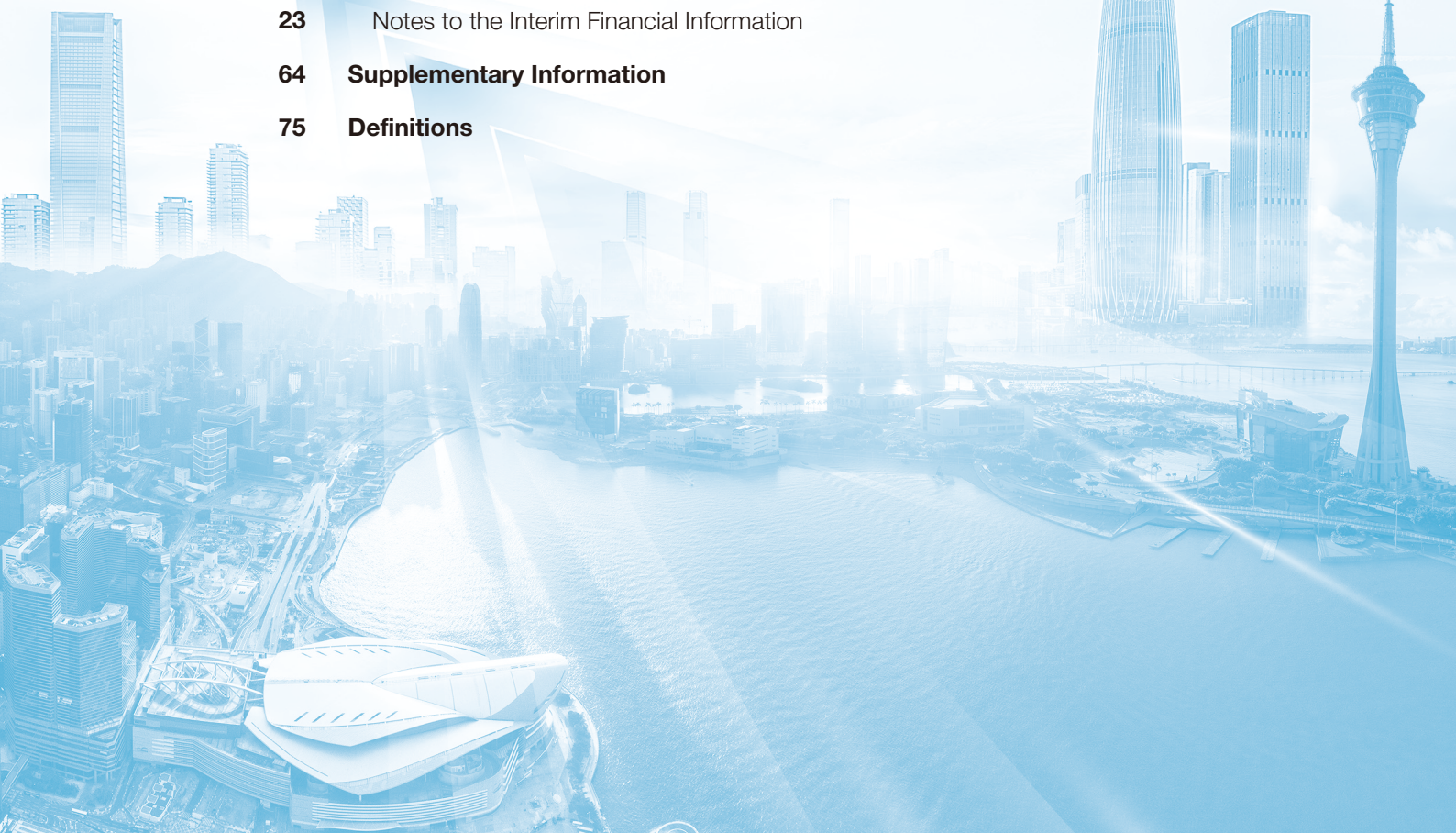
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CORPORATE INFORMATION

Board of Directors

Non-executive Director

Mr. Zhang Xing (*Chairman*)

Executive Directors

Mr. Chen Qinghua (*Chief Executive Officer*)

Mr. Lu Xinzheng

Independent Non-executive Directors

Mr. Hung Ka Hai Clement

Mr. Ma Lishan

Mr. Guan Huanfei

Dr. Lam Lee G.

Audit Committee

Mr. Hung Ka Hai Clement (*Chairman*)

Mr. Ma Lishan

Mr. Guan Huanfei

Dr. Lam Lee G.

Remuneration Committee

Mr. Guan Huanfei (*Chairman*)

Mr. Hung Ka Hai Clement

Mr. Ma Lishan

Nomination Committee

Mr. Hung Ka Hai Clement (*Chairman*)

Mr. Zhang Xing

Mr. Ma Lishan

Mr. Guan Huanfei

Executive Committee

Mr. Chen Qinghua (*Chairman*)

Mr. Lu Xinzheng

Risk Management Committee

Mr. Ma Lishan (*Chairman*)

Mr. Zhang Xing

Mr. Chen Qinghua

Mr. Lu Xinzheng

Dr. Lam Lee G.

Sustainable Development Committee

Dr. Lam Lee G. (*Chairman*)

Mr. Chen Qinghua

Mr. Guan Huanfei

Authorised Representatives

Mr. Lu Xinzheng

Ms. Luo Xiao Jing

Company Secretary

Ms. Luo Xiao Jing

Registered Office

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2 Church Street

Hamilton HM 11

Bermuda

Head Office and Principal Place of Business

15th Floor, China Huarong Tower
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Wanchai
Hong Kong

Resident Representative

Conyers Corporate Services (Bermuda) Limited
Clarendon House
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Hamilton HM 11
Bermuda

Principal Bankers

Bank of Communications Co., Ltd.
Hong Kong Branch
Bank of China (Hong Kong) Limited
China CITIC Bank International Limited
Shanghai Pudong Development Bank Co., Ltd.
Hong Kong Branch
Bank of Shanghai (Hong Kong) Limited
Macau Chinese Bank Co., Ltd.

Auditor

Ernst & Young
27th Floor, One Taikoo Place
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Quarry Bay, Hong Kong
Registered Public Interest Entity Auditor

Hong Kong Legal Adviser

Latham & Watkins LLP
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8 Connaught Place
Central, Hong Kong

Principal Share Registrar and Transfer Office

MUFG Fund Services (Bermuda) Limited
4th Floor, North Cedar House
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Hamilton HM 12
Bermuda

Hong Kong Branch Share Registrar and Transfer Office

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Stock Code

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Website

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MANAGEMENT DISCUSSION AND ANALYSIS

Financial Highlights

For the Period, the Group recorded a revenue of approximately HK\$135,889,000 (Last Period: approximately HK\$289,138,000), net loss on financial assets at fair value through profit or loss of approximately HK\$291,476,000 (Last Period: net gain of approximately HK\$11,413,000), net loss arising from disposal of financial assets at fair value through other comprehensive income of approximately HK\$19,337,000 (Last Period: net loss of approximately HK\$6,558,000). Therefore, total revenue and investment losses described above amounted to approximately HK\$174,924,000 (Last Period: net gains of approximately HK\$293,993,000). Net loss for the Period was approximately HK\$1,346,573,000 (Last Period: net loss of approximately HK\$335,934,000), while loss attributable to the Shareholders for the Period was approximately HK\$1,457,379,000 (Last Period: loss of approximately HK\$446,488,000). The increase in net loss for the Period was mainly due to the decrease in interest income associated with the reduced size of the Group's assets; and multiple adverse factors including tightened global monetary policies, geopolitical developments and the COVID-19 pandemic which caused a decline in the prices of the financial asset investments of the Group, resulting in relatively substantial loss in financial assets at fair value through profit or loss recorded, as well as a substantial amount of impairment provision made by the Group in respect of its direct investment in debt instruments, trade receivables, loans and margin financing advances.

Basic loss per Share was HK16.7 cents for the Period as compared to basic loss per Share of HK5.1 cents for the Last Period, and no diluted loss per Share has been presented for the Period and the Last Period as there was no dilutive financial instruments for the Period and the Last Period.

Market Review

In the first half of 2022, the COVID-19 pandemic continued to spread while the international situation was complicated and austere. Inflationary pressure further heightened and the slowdown in global economic growth became apparent under the impact of numerous factors, and global output contracted in the wake of the economic slowdown of China and Russia. Meanwhile, consumer spending in the United States also fell short of expectations. Already undermined by the pandemic, the world economy was dealt further blows: a tightened financing environment caused by global inflation exceeding expectations (especially in the United States and major European economies); economic slowdown in China exceeding expectations under the impact of the COVID-19 pandemic and anti-pandemic measures; and further negative spillover impact caused by the Ukrainian war. Such factors have resulted in a serious blow to global economic growth and nurtured negative market sentiments, as most assets generally reported loss in value.

Against the impact of the pandemic and complicated and austere domestic as well as international environments, China consistently enhanced its effort in macro-policy adjustments. The recurring pandemic outbreaks were brought under effective control and market prices basically remained stable, and people's livelihood have been effectively safeguarded. The economy overcame the adverse impact of unanticipated factors to show a stabilising trend poised for rebound. During the first half of 2022, there was a notable slowdown in Hong Kong's economic growth as the city experienced the combined impact of recurring pandemic outbreaks, slackened demand in neighbouring regions and the expedited implementation of tightening monetary policies in Europe and the United States. Nevertheless, the Hong Kong Government launched a range of anti-pandemic relief programmes and a financial stimulus plan with increasing magnitude, in a bid to support the development of sectors relating to consumer spending, while protecting the labour market to alleviate the burden on citizens. Given the further easing of the pressure imposed by the pandemic and the gradual rise of the vaccination rate, the pace of normalised development of economic activities will pick up and Hong Kong's drive for economic recovery will also be steadily enhanced.

Business Review

During the first half of 2022, the Group's business and financial performance was adversely affected by various factors such as complicated and austere international conditions, ongoing spread of the COVID-19 pandemic and escalating market volatility. Enterprises invested in by the Group were subject to relatively high default risk, and the businesses and valuations of certain companies in the investment portfolio were subject to pressure. For the Period, an impairment provision of approximately HK\$819,437,000 was made in respect of projects subject to risks, while the decline in prices of the Group's financial asset investments resulted in loss of HK\$291,476,000 in financial assets at fair value through profit or loss for the Period. To address a most challenging external environment, the Group persisted in seeking progress while maintaining stability, driving with full force collection and cash recouping for projects under risk as well as asset reduction and enhancing risk control, while actively reverted to its principal business and seized this special window in the market to identify business opportunities, leveraging fully the synergies of the licence business to accelerate business transformation.

Asset Management and Direct Investment

The asset management and direct investment segment is engaged in the provision of asset management services, investment in equity, bonds, funds, derivative instruments and other financial products with its own funds and the provision of structured financing. During the first half of 2022, the asset management industry faced unprecedented impact and challenges amidst the ongoing outbreaks of COVID-19 variants coupled with the escalating Russian-Ukrainian conflict. The Group actively addressed the austere conditions by strengthening various market risk and credit risk control measures to actively reducing risk exposure and persisting in advancing the development of its existing business with a risk-proof approach. Meanwhile, we were also vigorously engaged in the prudent development of its principal non-performing asset business, focusing on distressed assets and relief for corporations in the prevention and mitigation of risks to serve the physical economy.

The Group leveraged its build-up and strengths in the non-performing asset business to facilitate development of its asset management business, with key efforts in the cultivating of overseas funds for investment in non-performing assets and special opportunities bond funds in further diversification of product variety, strengthening of fundraising capabilities, and promoting business transformation and development. In connection with bond investment, the Group made active adjustments to shorten the term of its portfolios and improve the bond portfolios' credit rating, thereby effectively withstanding the financial market risk brought about by the tightening policy adopted by central banks worldwide.

Segment revenue and investment loss was approximately HK\$205,671,000 for the Period, versus segment revenue and investment gain of approximately HK\$227,771,000 for the Last Period. The segment result recorded a loss of approximately HK\$1,066,473,000 due to provision for impairment made for certain investment projects as detailed in "Financial Review-Provision of Impairment" in this section below, as compared to loss of approximately HK\$216,924,000 for the Last Period.

Securities

Securities business segment includes the provision of brokerage services, margin financing, structured financing and investment advisory services. During the first half of 2022, the Group persisted in compliant business operation and expedited business transformation with a focus on its principal licensed business to achieve cost reduction, efficiency enhancement, diversification of revenue streams and conservation of resources against a complicated economic environment and lacklustre market environment. In connection with the development of financial technology, the mobile APP "Huarong Caifutong (華融財富通)", the e-commerce fund mall went online, while the new stock centre completed several computational upgrades. In connection with its custodian business, the Group has enhanced business synergy and assisted in the disposal of stock assets in risk projects relating to system random access memory ("**RAM**") to earn transaction commission to develop intermediary income. In connection with the management of existing projects, the Group further improved its risk control measures with enhanced efforts in negotiations and communication with customers to ensure principal and interest repayments as due for existing normal projects.

For the Period, the revenue and other gains or losses from the securities segment was approximately HK\$2,244,000 as compared to approximately HK\$26,969,000 for the Last Period. Among the changes in revenue and other income, revenue from financing fees and custodian fees relating to margin financing for IPO subscription decreased mainly owing to the low volume of IPO issuance and low trading activity due to market factors such as the COVID-19 pandemic in Hong Kong and the timing of listing during the Period, which made it difficult for the Group to increase the revenue of the licensed company through the related business. During the Period, the Group commenced the process to close the business department in Sheung Wan and discontinue the futures and options business. Commission from relevant businesses declined as a result, while a considerable level of cost reduction and efficiency enhancement has been achieved. In addition, the Group enhanced project risk management in respect of existing projects and effectively reduced risk exposure and enhanced asset quality.

The segment result of the securities business segment for the Period amounted to loss of approximately HK\$29,132,000 as compared to loss of approximately HK\$3,234,000 for the Last Period.

Corporate Finance

During the first half of 2022, given the impact of the default and credit issues of Chinese property developers, the COVID-19 pandemic, the Russian-Ukrainian situation and the substantial rate hikes by the United States Federal Reserve Board (“**US Fed**”), the stock and bond markets in Hong Kong were subject to notable volatility with substantial declines in the Hong Kong IPO market in terms of the total amount and volume of new issues, while the amount and volume of offshore US dollar bond issues also decreased. During the Period, the Group enhanced coordination and collaboration with the internal business lines of China Huarong and successfully assumed the crucial role of global coordinator in bond issuance projects. Despite the austere global economic and market conditions, the Group actively maintained close liaison with a number of large state-owned enterprises, financial institutions, city investment companies and real estate companies to identify opportunities for business expansion. Meanwhile, in connection with institutional business network, we have also established business partnerships with several prestigious institutional investors such as banks, funds, insurance companies and securities houses.

For the Period, there is no revenue generated from the corporate finance segment as compared to revenue of approximately HK\$3,242,000 for the Last Period. The segment result for the Period was gain of approximately HK\$207,000 as compared to loss of approximately HK\$1,928,000 for the Last Period.

Financial Services and Others

Financial services and others is a business segment incorporated into the Group following the privatisation of HRIV, which includes the provision of finance lease services, business consulting services and other related services. It is primarily engaged in the provision of finance leasing services to the basic industries which conform to the PRC’s industrial policy and economic development trend by introducing financial leasing to those industries, including the logistics, automobile, aviation, solar energy and wind power generation and liquified natural gas sectors, to obtain rental income. During the Period, the Group strived to collect the returns on existing projects. In accordance with the Group’s business development strategy and positioning, the segment will continue to increase its effort in collection on existing projects, and there are currently no plans to invest in new finance leasing business projects. During the Period, the segment revenue was approximately HK\$25,187,000 (Last Period: revenue of approximately HK\$36,011,000). The segment loss for the Period amounted to approximately HK\$262,416,000 (Last Period: segment loss of approximately HK\$23,647,000), which was mainly attributable to the year-on-year increase in provision.

Prospects

In the second half of 2022, the global economic growth rate is expected to trend down under the combined effect of negative factors such as recurring pandemic outbreaks outside China, ongoing Russian-Ukrainian conflict and rapid interest rate hikes by the US Fed, as the overall market environment will be subject to challenges in multiple dimensions, such as cyclical risk, stagflationary risk, energy supply and industry supply chain. Given the complicated and austere economic conditions, China will face manifold challenges including the impact on the industry chain and supply chain as well as pressure on investment, consumer spending and export trade. As such, stable growth amidst the challenging environment will be the key to economic development. The Chinese economy will persist in the pursuit of stable progress, and its monetary policy will continue to play a dual role in volume and structural terms in an active bid to procure stability in the overall macro-economic picture.

The Group will closely monitor global developments and overcome any hurdles and difficulties. In connection with the asset management business, the Group will continue to be deeply engaged in China Huarong's principal business on "major non-performing assets" on the back of its experience and strengths afforded by business synergy in its own financial licenses and non-performing asset businesses, further expanding and promoting new offshore non-performing asset investment funds and high-yield bond fund products to enhance its product variety, reinforce its customer base and bolster its fundraising ability, with a view to genuinely expanding the scale of its asset management and increase management fee income. In the second half of the year, the bond market will continue to face market risks arising from the rate hikes and austere policy of the US Fed. Nevertheless, with the efficacy of policies implemented by China to stabilise the economy introduced since the beginning of the year starting to tell, we believe that the credit cycle of US dollar bonds of Chinese companies has bottomed out. In the second half of the year, the Group will be vigorously engaged in fundraising exercises and make strong efforts to advance the market-oriented operation and fund-based management of our bond portfolios. In connection with the securities business, the Group will further optimise the organisational structure of the licensed subsidiary to enhance its operational efficiency and continuously improve its operational compliance in genuine prevention and control of compliance and operational risks. A special emphasis will be placed on the institutional business and the intermediary business to increase revenue contributions from the institutional business. Meanwhile, the customer marketing channel will be further broadened by developing the connections with private banks and family business offices in Hong Kong. In connection with corporate finance, we will continue to develop the bond capital market business to consistently enhance the Group's influence in Hong Kong's bond capital market, while we will continue to actively expand various types of financial advisory and IPO sponsorship businesses. Meanwhile, the corporate finance business will fully leverage the strengths of the Huarong brand in the non-performing asset sector to develop financial advisory businesses relating to debt restructuring, in implementation of the strategy of differentiated development in the investment banking business.

Financial Review

Capital Structure

As at 30 June 2022, the total number of issued shares of the Company (with par value of HK\$0.001 each) was 8,709,586,011.

Liquidity and Financial Resources

The Group reviews its liquidity position regularly and manages liquidity and financial resources actively according to the changes in economic environment and business development needs. As at 30 June 2022, the Group had total cash and deposits with banks amounting to approximately HK\$2,376,696,000 as compared to approximately HK\$1,852,784,000 as at 31 December 2021, excluding client funds that were kept in separate designated bank accounts of approximately HK\$160,162,000 (31 December 2021: approximately HK\$215,590,000) and deposits in other financial institutions of approximately HK\$14,487,000 (31 December 2021: approximately HK\$14,457,000). As at 30 June 2022, 55% (31 December 2021: 56%) of the Group's cash and deposits with banks was denominated in HKD or RMB. The Group's gearing ratio as at 30 June 2022 was -420.13% as compared to -1,696.33% as at 31 December 2021, being calculated as borrowings over the Group's shareholders' equity. The increase in gearing was attributable to a decrease in the Group's shareholders' equity in the Period.

The Group has been committed to expanding the financing channel and maintaining an appropriate allocation of repayment schedules and overall fund application to maintain robust financial position. As at 30 June 2022, the Group obtained shareholder loans from CHIH in an aggregate principal amount of approximately US\$555,115,000 (equivalent to approximately HK\$4,356,455,000) (31 December 2021: approximately US\$605,115,000 (equivalent to approximately HK\$4,718,726,000)) to support the business of the Group. Such loans were subject to interest at fixed annual interest rates ranging from 4.3% to 7.98% (31 December 2021: annual rates of 4.3% to 7.98%) and were repayable within one to eight years from the end of the reporting period (31 December 2021: in five months to eight years). During the Period, CHIH extended the due date of inter-company loans with a total balance of HK\$497,289,000 owed by the Group. Following the extension, there was no intra-company loans which would fall due within 12 months from 30 June 2022.

As at 30 June 2022, the Group had loans denominated in USD of US\$260,940,000 (equivalent to approximately HK\$2,047,816,000) from Right Select International Limited (31 December 2021: US\$260,940,000 (equivalent to approximately HK\$2,034,825,000)). The Group also had a RMB loan of RMB50,000,000 (equivalent to approximately HK\$58,466,000) from a fellow subsidiary (31 December 2021: RMB loan of RMB50,000,000 (equivalent to approximately HK\$61,155,000)).

As at 30 June 2022, the Group had utilised bank credit facilities of approximately HK\$1,599,000,000 (31 December 2021: approximately HK\$1,599,000,000), all subject to floating interest rates (31 December 2021: all subject to floating interest rates).

As at 30 June 2022, the Group had undrawn bank credit facilities of approximately HK\$1,334,914,000 (31 December 2021: approximately HK\$1,332,923,000), providing the Group with additional liquidity as and when required.

As at 30 June 2022, the Group was unable to comply with a financial covenant for a banking facility with loan amount of HK\$624 million. In August 2022, the Group had obtained a waiver from the bank, which continues to provide normal banking facilities to the Group and has not requested early repayment of borrowings. As such, the Company does not expect any material adverse impact of the aforesaid events on the Group's financial performance and operations.

Taking into account the financial resources and banking and other financing available to the Group, including but not limited to internally generated cashflow, cash on hand and bank balances, and external loans, the Group anticipates sufficient working capital for its present requirements for at least the next 12 months.

For the subsidiaries licensed by the Securities and Futures Commission of Hong Kong, the Group ensures each of the subsidiaries maintains a liquidity level adequate to support the level of regulated activities with a sufficient buffer to accommodate increases in liquidity requirements arising from potential increases in the level of business activities. During the Period, all the licensed subsidiaries complied with the liquidity requirements under the Securities and Futures (Financial Resources) Rules.

Charges on Group Assets

As at 30 June 2022, the Group had not pledged any time deposits (31 December 2021: nil) to secure the bank loan facilities of the Group.

Foreign Exchange Exposures

The Group's principal operations in Hong Kong and overseas are transacted and recorded in Hong Kong dollars and United States dollars, while principal operations in the PRC are transacted and recorded in Renminbi. The Group is not exposed to material foreign exchange risks because the Hong Kong dollar is pegged to the United States dollar. Other foreign currency exposure is relatively insignificant when compared to our total assets and liabilities. As such, we consider our foreign exchange risk exposure manageable and the Group will closely monitor such risk exposure from time to time.

Contingent Liabilities

The Group had no material contingent liabilities as at 30 June 2022 and 31 December 2021.

Significant Securities Investment

As at 30 June 2022, the Group held 1,836,000 shares (31 December 2021: 1,836,000 ordinary shares) and invested into a secured convertible bond issued by ARTA TechFin Corporation Limited (formerly known as Freeman FinTech Corporation Limited) (“**Freeman**”), at the cost of HK\$7,803,000 and HK\$429,197,000, respectively. Freeman is a Cayman Islands incorporated company listed on the Main Board of the Stock Exchange (stock code: 279) principally engaged in financial businesses. The shares held by the Group represents 0.01% (31 December 2021: 0.01%) of the equity interests in Freeman. The respective fair values of the shares and convertible bond as at 30 June 2022 were HK\$330,000 and HK\$389,406,000, which aggregated to approximately 5% (31 December 2021: 4%) of the total assets of the Group. Therefore, the Group would like to supplement the above investments as a significant investment held by the Group for the Period. During the Period, the Group’s unrealised fair value loss on the shares of Freeman was HK\$99,000, the value of the investment into the secured convertible bond remained unchanged compared with last year.

This significant investment is not primarily held for trading. It was acquired by a subsidiary of HRIV in August 2017 and subsequently has been in default since April 2019. Freeman had previously preceded the temporary liquidation procedure and a provisional liquidator was designated. The provisional liquidator conducted an external price inquiry and bidding over the pledge of the project and finally selected a qualified bidder. The sales of the relevant collateral are still in progress.

Provision for Impairment

The Group recorded net impairment loss of approximately HK\$819,437,000 for the Period, which was mainly attributable to the following:

- under a margin project of the Group, advances to a customer in margin financing was converted into other loans and debt instruments through a deed of assignment on 29 June 2020. The collateral under the project consisted of shares of a listed company in Hong Kong. The market price of such shares continued to decline compared to the end of 2021 owing to external political and economic factors as well as the listed company’s internal operational and debt issues during the first half of 2022. The Group calculated the recoverable amount of the loan according to the market prices of the pledged shares, resulting in a further provision for impairment of approximately HK\$108 million in respect of such project for the Period.
- the debtor of two fixed income projects of the Group was a former listed company in Hong Kong and the projects were mainly guaranteed by the de facto controller of the listed company. The listed company was ordered to be liquidated by the High Court of Hong Kong and was delisted in February 2021, while its de facto controller was also declared bankrupt. Currently, the liquidation of the delisted company is proceeding slowly due to the pandemic. According to information obtained by the Group from the liquidator, the delisted company does not have sufficient assets and proceeds from asset liquidation might not be sufficient to pay the liquidation expenses. Based on prudent consideration, taking into account the progress of liquidation, the management provided full impairment provision in respect of the two projects and made further provision for impairment of approximately HK\$94 million for the Period.

- the debtors of two finance leasing projects of the Group are two companies principally engaged in wind power generation and solar energy power generation, respectively. As the companies are operating on tight cashflows and are affected by local subsidy policies, the companies had been unable to operate power generation in a normal manner for a period, and the guarantor and de facto controller had been included in the list of domestic discredited parties in China and are considered not to have the ability to make repayments. Given that the two projects would mainly rely on the liquidation of leased assets to source their repayments in future, and it would be difficult to dispose of the leased wind power and solar energy power generation equipment for cash, after taking into account the prevailing market conditions, the Group applied a further reduction adjustment on the value of these projects, based on the valuation of the same as at the end of 2021 resulting in a provision for impairment of approximately HK\$90 million for the Period in respect of these two projects.
- the debtor of a finance lease project of the Group is a company engaged in air cargo freight business which underwent a debt crisis in 2019 and is currently in the process of bankruptcy and reorganisation. The primary collaterals of the project comprise two cargo planes which have been grounded since September 2019. Any resumption of flight would be subject to substantial maintenance expenses due to the older age of the two cargo planes and operating cost due to increase in oil price in 2022. Given the unfavourable factors, and based on the principle of prudence, the management applied a certain discount to the estimated recoverable amount, resulting in further provision for impairment of approximately HK\$90 million for the Period in respect of the project.
- a project of the Group previously recorded as financial assets at fair value through profit or loss was reclassified as accounts receivable following the non-receipt of any payment against default put option price by the grantor or guarantor after the Group's issuance of a default notice and the exercise of the put option on 3 December 2021. Currently, the receivables are secured by shares of a Hong Kong-listed company and pledged by the land use right of a land site in China as collaterals. Trading in the shares of the said listed company has been suspended since April 2022 due to the delay in the publication of its 2021 results announcement. Taking into consideration the recoverable amount of the collaterals, the Group provided a substantial amount of impairment provision in respect of the project and made provision for impairment of approximately HK\$323 million for the Period.
- two real estate sector bonds, classified as the Group's financial assets at fair value through other comprehensive income, were subject to default in the first half of the year due to the ongoing deterioration of the industry and market environments and were classified as stage three assets. Based on prudent consideration, including the credit status of the issuers of the two bonds, the management provided for impairment based on the market value of the bonds as at the end of the Period and total impairment provision of approximately HK\$48 million for the Period was made in respect of the two bonds.

The Group will assess the expected credit risk and impairment of financial assets at amortised cost and financial assets at fair value through other comprehensive income on an ongoing basis and communicate with the management and/or Board on the impact of the relevant events on specific items and on the financial reporting of the Group in a timely manner in accordance with internal procedures. At the same time, the Group will actively take further actions to collect unrecovered amounts and endeavour to recover amounts from customers through various means, including legal actions and disposal of collaterals.

Interim Dividend

The Board does not recommend the payment of any interim dividend for the Period (Last Period: nil).

Employee and Remuneration Policy

As at 30 June 2022, the Group employed a total of 60 employees (31 December 2021: 65 employees). The Group's recruitment and promotion of staff is based on consideration of multiple factors, such as job nature, market rates, relevant experience of the employees, individual merits and development potential, and may also offer discretionary incentives and bonuses by reference to indicators such as market conditions, the Company's business performance, individual staff performance and fulfilment of compliance requirements, among others, with a view to rewarding staff contributions as well as retaining and incentivising employees with superior competence and experience to continue to deliver value for the Group. Other benefits offered by the Group include, but are not limited to, voluntary employer contributions to the mandatory provident fund and group medical plans, etc.

The Group is committed to providing employees with an environment conducive to ongoing learning and development. The Group arranges both internal and external multi-dimensional training and development plans for staff and offer incentives for off-duty studies to eligible staff to encourage voluntary learning and ongoing self-improvement to address the growing requirements of the Group's operations.



INDEPENDENT REVIEW REPORT



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TO THE BOARD OF DIRECTORS OF
HUARONG INTERNATIONAL FINANCIAL HOLDINGS LIMITED
(Incorporated in Bermuda with limited liability)

Introduction

We have reviewed the interim financial information set out on pages 16 to 63, which comprises the condensed consolidated statement of financial position of Huarong International Financial Holdings Limited (the “**Company**”) and its subsidiaries (the “**Group**”) as at 30 June 2022 and the related condensed consolidated statement of profit or loss, comprehensive income, changes in equity and cash flows for the six-month period then ended, and explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 *Interim Financial Reporting* (“**HKAS 34**”) issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”).

The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with HKAS 34. Our responsibility is to express a conclusion on this interim financial information based on our review. Our report is made solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of Review

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity* issued by the HKICPA. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information is not prepared, in all material respects, in accordance with HKAS 34.

Ernst & Young

Certified Public Accountants

Hong Kong

29 August 2022



CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2022

	Notes	For the six months ended 30 June	
		2022 (Unaudited) HK\$'000	2021 (Unaudited) HK\$'000
REVENUE			
Commission and fee income	5	4,203	17,916
Interest income	5		
Interest income calculated using the effective interest method		76,590	174,755
Others		34,961	94,951
Investment income	5	20,135	1,516
		135,889	289,138
Net (loss)/gain on financial assets at fair value through profit or loss		(291,476)	11,413
Net loss arising from disposal of financial assets at fair value through other comprehensive income		(19,337)	(6,558)
Other income and gains or losses, net		(47,802)	29,591
Brokerage and commission expenses		(1,345)	(8,013)
Administrative and other operating expenses		(127,169)	(107,488)
Impairment losses, net		(819,437)	(287,072)
Finance costs	6	(196,335)	(248,286)
LOSS BEFORE TAX	7	(1,367,012)	(327,275)
Income tax credit/(expense)	8	20,439	(8,659)
LOSS FOR THE PERIOD		(1,346,573)	(335,934)
Attributable to:			
Equity holders of the Company		(1,457,379)	(446,488)
Holder of perpetual capital securities		79,218	78,541
Non-controlling interests		31,588	32,013
		(1,346,573)	(335,934)
BASIC LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY	9	HK16.7 cents	HK5.1 cents

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2022

	For the six months ended 30 June	
	2022 (Unaudited) HK\$'000	2021 (Unaudited) HK\$'000
LOSS FOR THE PERIOD	(1,346,573)	(335,934)
OTHER COMPREHENSIVE INCOME		
Other comprehensive income that may be reclassified to profit or loss in subsequent periods:		
Fair value loss on financial assets at fair value through other comprehensive income	(91,968)	(18,252)
Net provision for impairment of financial assets at fair value through other comprehensive income included in profit or loss	45,458	63,437
Reclassification adjustments relating to disposal of financial assets at fair value through other comprehensive income during the period	19,337	6,558
Exchange differences on translation of foreign operations, net	15,364	(3,855)
OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX	(11,809)	47,888
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	(1,358,382)	(288,046)
Attributable to:		
Equity holders of the Company	(1,469,188)	(398,600)
Holder of perpetual capital securities	79,218	78,541
Non-controlling interests	31,588	32,013
	(1,358,382)	(288,046)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 June 2022

	Notes	30 June 2022 (Unaudited) HK\$'000	31 December 2021 (Audited) HK\$'000
NON-CURRENT ASSETS			
Property, plant and equipment		7,623	13,101
Other long term assets		4,070	4,498
Intangible assets		2,350	2,350
Right-of-use assets		53,881	79,711
Prepayments, deposits and other receivables		20,997	21,728
Financial assets at fair value through profit or loss	10	369,081	1,283,142
Financial assets at fair value through other comprehensive income	11	189,333	282,549
Finance lease receivables	13	19,292	40,525
Other loans and debt instruments	14	655,339	815,049
Total non-current assets		1,321,966	2,542,653
CURRENT ASSETS			
Advances to customers in margin financing	15	42,433	43,738
Accounts receivable	16	251,929	820,087
Prepayments, deposits and other receivables		303,554	357,817
Financial assets at fair value through profit or loss	10	2,166,412	2,031,528
Financial assets at fair value through other comprehensive income	11	125,981	135,177
Finance lease receivables	13	590,388	802,332
Other loans and debt instruments	14	237,874	327,874
Amount due from related parties		4,585	4,539
Tax recoverable		2,910	56,655
Restricted bank balances	17	160,162	215,590
Deposits in other financial institutions		14,487	14,457
Cash and deposits with banks	18	2,376,696	1,852,784
Total current assets		6,277,411	6,662,578

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 June 2022

	Notes	30 June 2022 (Unaudited) HK\$'000	31 December 2021 (Audited) HK\$'000
CURRENT LIABILITIES			
Accounts payable	19	507,213	224,432
Other liabilities, payables and accruals	20	303,888	310,452
Interest-bearing borrowings	21	1,599,000	2,486,097
Repurchase agreements	23	452,883	474,139
Tax payable		73,652	77,930
Lease liabilities		53,671	58,331
Financial liabilities at fair value through profit or loss	10	–	55,088
Amount due to related parties		56,480	56,034
Total current liabilities		3,046,787	3,742,503
NET CURRENT ASSETS		3,230,624	2,920,075
TOTAL ASSETS LESS CURRENT LIABILITIES		4,552,590	5,462,728
NON-CURRENT LIABILITIES			
Other liabilities, payables and accruals	20	3,504	1,416
Interest-bearing borrowings	21	6,462,737	5,927,609
Lease liabilities		5,239	29,697
Total non-current liabilities		6,471,480	5,958,722
Net liabilities		(1,918,890)	(495,994)
EQUITY			
Share capital	22	8,710	8,710
Share premium and reserves		(6,006,702)	(4,537,514)
Equity attributable to owners of the Company		(5,997,992)	(4,528,804)
Perpetual capital securities classified as equity instruments	24	2,802,066	2,755,781
Non-controlling interests		1,277,036	1,277,029
Total equity		(1,918,890)	(495,994)

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2022

	Attributable to owners of the Company									Perpetual capital securities HK\$'000	Non-controlling interests (Note iv) HK\$'000	Total equity HK\$'000
	Share capital HK\$'000	Share premium HK\$'000	Contributed surplus (Note i) HK\$'000	Capital reserves (Note ii) HK\$'000	Statutory reserve (Note iii) HK\$'000	Currency translation reserve HK\$'000	FVTOCI investment revaluation reserve HK\$'000	Accumulated losses HK\$'000	Total HK\$'000			
At 1 January 2022 (audited)	8,710	3,220,249	139,615	636,129	31,973	(5,222)	(73,908)	(8,486,350)	(4,528,804)	2,755,781	1,277,029	(495,994)
Loss for the period	-	-	-	-	-	-	-	(1,457,379)	(1,457,379)	79,218	31,588	(1,346,573)
Other comprehensive income for the period:												
Fair value loss on financial assets at fair value through other comprehensive income	-	-	-	-	-	-	(91,968)	-	(91,968)	-	-	(91,968)
Net provision for impairment of financial assets at fair value through other comprehensive income included in profit or loss	-	-	-	-	-	-	45,458	-	45,458	-	-	45,458
Reclassification adjustments relating to disposal of financial assets at fair value through other comprehensive income during the period	-	-	-	-	-	-	19,337	-	19,337	-	-	19,337
Exchange differences on translation of foreign operations, net	-	-	-	-	-	15,364	-	-	15,364	-	-	15,364
Total comprehensive income for the period	-	-	-	-	-	15,364	(27,173)	(1,457,379)	(1,469,188)	79,218	31,588	(1,358,382)
Distributions relating to perpetual capital securities	-	-	-	-	-	-	-	-	-	(32,933)	(31,581)	(64,514)
At 30 June 2022 (unaudited)	8,710	3,220,249	139,615	636,129	31,973	10,142	(101,081)	(9,943,729)	(5,997,992)	2,802,066	1,277,036	(1,918,890)
At 1 January 2021 (audited)	8,710	3,220,249	139,615	636,129	31,973	(4,335)	(199,117)	(6,663,306)	(2,830,082)	2,755,872	1,455,386	1,381,176
Loss for the period	-	-	-	-	-	-	-	(446,488)	(446,488)	78,541	32,013	(335,934)
Other comprehensive income for the period:												
Fair value loss on financial assets at fair value through other comprehensive income	-	-	-	-	-	-	(18,252)	-	(18,252)	-	-	(18,252)
Net provision for impairment of financial assets at fair value through other comprehensive income included in profit or loss	-	-	-	-	-	-	63,437	-	63,437	-	-	63,437
Reclassification adjustments relating to disposal of financial assets at fair value through other comprehensive income during the period	-	-	-	-	-	-	6,558	-	6,558	-	-	6,558
Exchange differences on translation of foreign operations, net	-	-	-	-	-	(3,855)	-	-	(3,855)	-	-	(3,855)
Total comprehensive income for the period	-	-	-	-	-	(3,855)	51,743	(446,488)	(398,600)	78,541	32,013	(288,046)
Distributions relating to perpetual capital securities	-	-	-	-	-	-	-	-	-	(78,524)	(209,505)	(288,029)
At 30 June 2021 (unaudited)	8,710	3,220,249	139,615	636,129	31,973	(8,190)	(147,374)	(7,109,794)	(3,228,682)	2,755,889	1,277,894	805,101

Notes:

- (i) Under the Bermuda Companies Act, the Company's contributed surplus is distributable to shareholders under certain circumstances.
- (ii) The capital reserve represents deemed contribution arising from the disposal of subsidiaries to China Huarong Overseas Investment Holdings Co., Limited ("**Huarong Overseas**"), a fellow subsidiary of the Group.
- (iii) Pursuant to the Article of the Company Law of the People's Republic of China (the "**PRC**"), the entity established in the PRC is required to appropriate 10% of its net profit to statutory reserve until the balance reaches 50% of its registered capital.
- (iv) Non-controlling interests represented interests of holders of perpetual capital securities of Huarong Investment Stock Corporation Limited ("**HRIV**") as at 1 January 2021, 30 June 2021, 1 January 2022 and 30 June 2022.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2022

	For the six months ended 30 June	
	2022 (Unaudited) HK\$'000	2021 (Unaudited) HK\$'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss before tax	(1,367,012)	(327,275)
Total non-cash adjustments	1,213,057	322,730
Total working capital adjustments	1,183,088	43,138
Cash generated from operations	1,029,133	38,593
Tax refunded/(paid)	74,184	(12,220)
Interest received	39,698	127,518
Net cash flows from operating activities	1,143,015	153,891
CASH FLOWS FROM INVESTING ACTIVITIES		
Dividend received	20,135	1,516
Decrease in other long term assets	428	713
Purchases of items of property, plant and equipment	(811)	(1,429)
(Purchases)/proceeds from disposal of financial assets at fair value through other comprehensive income	(9,115)	1,589,563
Net cash flows from investing activities	10,637	1,590,363
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of interest-bearing borrowings	(351,969)	(799,235)
Interest paid	(213,862)	(501,868)
Net changes from amount due to/from related parties	400	(2,786)
Repayment of lease liabilities	(28,686)	(27,704)
Distribution to perpetual capital securities holder	(32,933)	(78,524)
Distribution to non-controlling interests	(31,581)	(209,505)
Net cash flows used in financing activities	(658,631)	(1,619,622)

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2022

	For the six months ended 30 June	
	2022 (Unaudited) HK\$'000	2021 (Unaudited) HK\$'000
NET INCREASE IN CASH AND CASH EQUIVALENTS	495,021	124,632
Cash and cash equivalents at the beginning of the period	1,852,784	1,720,306
Effect of foreign exchange rate changes, net	15,364	(3,855)
Effect of impairment of cash and cash equivalents	-	(92)
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	2,363,169	1,840,991
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	2,353,167	1,814,050
Time deposits with original maturity of less than three months	10,002	26,941
Cash and cash equivalents as stated in the condensed consolidated statement of cash flows	2,363,169	1,840,991

NOTES TO THE INTERIM FINANCIAL INFORMATION

1. General information

The Company is a limited liability company incorporated in Bermuda and its shares are listed on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”). The principal activity of the Company is investment holding. The Group is principally engaged in the brokerage and dealing of securities, futures and options contracts, margin financing, loan financing, financial advisory, direct investments, investment holding, provision of advising on corporate finance services and provision of management and consultancy services. The registered office of the Company is located at Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda. The principal place of operations of the Company has been changed from Unit A, 16th floor & Unit A, 17th floor, Two Pacific Place, 88 Queensway, Hong Kong to 15th floor, China Huarong Tower, 60 Gloucester Road, Wanchai, Hong Kong, with effect from 10 May 2022. The intermediate controlling shareholder of the Company is China Huarong International Holdings Limited (“**CHIH**”) that is incorporated in Hong Kong through Camellia Pacific Investment Holding Limited and Right Select International Limited, both of which are incorporated in the British Virgin Islands and wholly-owned subsidiaries of CHIH. China Huarong Asset Management Co., Ltd. (“**China Huarong**”), a company established in the PRC and whose shares are listed on the Stock Exchange, became the ultimate holding company since 2015. Currently, major Shareholders of China Huarong include the Ministry of Finance (the “**MOF**”), CITIC Group Corporation, China Insurance Rongxin Private Fund Co., Ltd., China Life Insurance (Group) Company, Warburg Pincus and Sino-Ocean Group Holding Limited.

This unaudited interim financial information was approved by the board of directors for issue on 29 August 2022.

2. Basis of preparation

The interim condensed consolidated financial information for the six months ended 30 June 2022 has been prepared in accordance with HKAS 34 *Interim Financial Reporting*. The interim condensed consolidated financial information does not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group’s annual consolidated financial statements for the year ended 31 December 2021.

This unaudited interim financial information is presented in thousands of Hong Kong dollars (“**HK\$’000**”), which is also the functional currency of the Company.

Going concern basis

As at 30 June 2022, the Group had net liabilities of HK\$1,919 million (31 December 2021: net liabilities of HK\$496 million) and incurred a loss of HK\$1,347 million (30 June 2021: net loss of HK\$336 million) for the six months period ended.

2. Basis of preparation (continued)

Going concern basis (continued)

In view of above circumstances, the directors have given consideration to the future liquidity and performance of the Group and its available sources of finance in assessing whether the Group will have sufficient financial resources to continue as a going concern. In order to improve the Group's liquidity and cash flows to sustain the Group as a going concern, the Group has implemented or is in the process of implementing the following measures:

(i) *Continuous securing of certain bank borrowings*

The Group communicated and confirmed with various banks on the bank borrowings. Pursuant to the agreements with the banks, the next review dates of bank borrowings of HK\$775 million, HK\$200 million and HK\$624 million will be October 2022, October 2022 and August 2023, respectively.

(ii) *Utilisation of banking facilities*

As at 30 June 2022, the Group has total bank credit facilities of approximately HK\$2,933,914,000 (31 December 2021: approximately HK\$2,931,923,000), of which approximately HK\$1,599,000,000 (31 December 2021: approximately HK\$1,599,000,000) were utilised by the Group. During the current period, the Group has obtained a letter of intent for a new banking facility amounting to HK\$130,000,000.

(iii) *Support from intermediate controlling shareholder*

The Group has obtained a letter of support from its intermediate controlling shareholder, CHIH, who has confirmed its intention to provide sufficient financial support to the Group to enable it to meet its obligations and liabilities as and when they fall due, where the Directors are of the opinion that the financial support from CHIH will continue to be forthcoming. As at 30 June 2022, CHIH lent an aggregate of HK\$10.5 billion to the group in forms of intercompany loans and perpetual securities (31 December 2021: HK\$10.8 billion). Depending on the need for working capital, the Group may need to draw down the loans at different times and amounts. During the six months ended 30 June 2022, the Group has obtained extensions from CHIH on intercompany borrowings with an aggregate balance of HK\$497,289,000 as of 30 June 2022. There are no intercompany borrowings to be due within the next twelve months from 30 June 2022 after the extensions.

To strengthen the capital of the Group and support its financing activities, on 29 August 2022, the Company entered into two subscription agreements with CHIH, under which the Company, as the issuer, agrees to issue to CHIH (1) 6.86 percent unsubordinated perpetual securities in a principal amount of US\$275 million on 13 September 2022 and (2) 6.86 percent unsubordinated perpetual securities in a principal amount of US\$215 million on 2 November 2022 (collectively, the **"Perpetual Securities"**), both at an issue price equal to 100 percent (the **"Issue Price"**) of the respective principal amounts of the Perpetual Securities, and CHIH, as the subscriber, agrees to subscribe the Perpetual Securities on the respective closing dates at the Issue Price.

2. Basis of preparation (continued)

Going concern basis (continued)

(iv) Disposal of public traded bonds and listed equity securities

In respect of public traded bonds and the listed equity securities in Hong Kong held by the Group, which are classified either as financial assets at fair value through profit or loss or as financial assets at fair value through other comprehensive income in the condensed consolidated statement of financial position as at 30 June 2022, the Directors are of the opinion that the Group would be able to dispose of such investments as and when needed to alleviate the Group's liquidity pressure.

(v) Measures to recover project cashflows, control expenses and contain capital expenditures

The Group will take active measures to improve its cash flow through focus of resources to recover cashflows from existing projects and investments in the upcoming year. At the same time, the Group will continue to take active measures to control administrative costs through various channels including communication of the budget, control and monitoring by finance department within the Group.

(vi) Actively develop licensed business

Securities:

- (1) Focus on expanding institutional business and improve the profit contribution from institutional business
- (2) Collaborate with different segments to provide customers with comprehensive financial services of "investment + intelligence"
- (3) Focus on retail market segments and wealth management business.

Asset management:

- (1) Implement the fund investment-focused strategy
- (2) Focus on the transformation of "big non-performing" alternative investment and actively manage asset management business
- (3) Promote the characteristic model of main business and licensed business
- (4) Actively expand non-performing asset restructuring and mergers, alternative special direct investment and other asset management fund products
- (5) Based on the existing funds and new development of fund business, with existing platforms and personnel, focus on strengthening customer marketing efforts on the investment side and financing side, and strengthening the coordination and linkage within the Huarong Group, cross-combining investment banking business, investment business to give full play to the synergic effect of our licensed business.

2. Basis of preparation (continued)

Going concern basis (continued)

(vi) *Actively develop licensed business (continued)*

Corporate Finance:

- (1) Focus on the underwriting, pricing and issuance of Hong Kong stock IPOs, focus on subsectors such as medicine and medical care, real estate, property, finance, etc., and continue to focus on key execution projects
- (2) In coordination with major non-performing main businesses, focus on arranging merger and acquisition opportunities for restructured assets
- (3) Undertake projects such as mergers and acquisitions, privatisation, cross-border mergers and acquisitions, and give full play to the company's brand effect and the advantages of capital investment banks
- (4) Focus on the main business of licenses and resume the development of debt underwriting business
- (5) Take the initiative, strengthen resource coordination and external cooperation, and expand business network.

The Directors have reviewed the Group's cash flow projections prepared by management. The cash flow projections cover a period of not less than twelve months from 30 June 2022. They are of the opinion that, taking into account the abovementioned plans and measures, the Group will have sufficient working capital to finance its operations and to meet its financial obligations as and when they fall due within twelve months from 30 June 2022. Accordingly, the Directors are satisfied that it is appropriate to prepare the consolidated financial statements on a going concern basis.

Should the going concern assumption be inappropriate, adjustments may have to be made to write down the values of assets to their recoverable amounts, to provide for any further liabilities that might arise, and to reclassify non-current assets and non-current liabilities as current assets and current liabilities, respectively. The effects of these adjustments have not been reflected in the condensed consolidated financial statements. The Audit Committee of the Board has confirmed that it has objectively and critically reviewed the measures mentioned above. The Audit Committee of the Board and the Board have confidence in the Group's management and concurred with management's view that the Group's business plan for the next twelve months is feasible and achievable. The Group has actively implemented, or is actively implementing, all the improvement targets outlined above for the purposes of increasing profits and improving the cash flow position of the Group.

3. Changes in accounting policies

The accounting policies adopted in the preparation of the interim condensed consolidated financial information are consistent with those applied in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2021, except for the adoption of the following revised Hong Kong Financial Reporting Standards ("HKFRSs") for the first time for the current period's financial information.

Amendments to HKFRS 3	<i>Reference to the Conceptual Framework</i>
Amendments to HKAS 16	<i>Property, Plant and Equipment: Proceeds before Intended Use</i>
Amendments to HKAS 37	<i>Onerous Contracts – Cost of Fulfilling a Contract</i>
Annual Improvements to HKFRSs 2018–2020	<i>Amendments to HKFRS 1, HKFRS 9, Illustrative Examples accompanying HKFRS 16, and HKAS 41</i>

The nature and impact of the revised HKFRSs are described below:

- (a) Amendments to HKFRS 3 replace a reference to the previous *Framework for the Preparation and Presentation of Financial Statements* with a reference to the *Conceptual Framework for Financial Reporting* issued in June 2018 without significantly changing its requirements. The amendments also add to HKFRS 3 an exception to its recognition principle for an entity to refer to the Conceptual Framework to determine what constitutes an asset or a liability. The exception specifies that, for liabilities and contingent liabilities that would be within the scope of HKAS 37 or HK(IFRIC)-Int 21 if they were incurred separately rather than assumed in a business combination, an entity applying HKFRS 3 should refer to HKAS 37 or HK(IFRIC)-Int 21 respectively instead of the Conceptual Framework. Furthermore, the amendments clarify that contingent assets do not qualify for recognition at the acquisition date. The Group has applied the amendments prospectively to business combinations that occurred on or after 1 January 2022. As there were no contingent assets, liabilities and contingent liabilities within the scope of the amendments arising in the business combination that occurred during the period, the amendments did not have any impact on the financial position and performance of the Group.
- (b) Amendments to HKAS 16 prohibit an entity from deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling any such items, and the cost of those items, in profit or loss. The Group has applied the amendments retrospectively to items of property, plant and equipment made available for use on or after 1 January 2021. Since there was no sale of items produced while making property, plant and equipment available for use on or after 1 January 2021, the amendments did not have any impact on the financial position or performance of the Group.

3. Changes in accounting policies (continued)

- (c) Amendments to HKAS 37 clarify that for the purpose of assessing whether a contract is onerous under HKAS 37, the cost of fulfilling the contract comprises the costs that relate directly to the contract. Costs that relate directly to a contract include both the incremental costs of fulfilling that contract (e.g., direct labour and materials) and an allocation of other costs that relate directly to fulfilling that contract (e.g., an allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract as well as contract management and supervision costs). General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract. The Group has applied the amendments prospectively to contracts for which it has not yet fulfilled all its obligations at 1 January 2022 and no onerous contracts were identified. Therefore, the amendments did not have any impact on the financial position or performance of the Group.
- (d) *Annual Improvements to HKFRSs 2018–2020* sets out amendments to HKFRS 1, HKFRS 9, Illustrative Examples accompanying HKFRS 16, and HKAS 41. Details of the amendments that are applicable to the Group are as follows:
- HKFRS 9 *Financial Instruments*: clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. The Group has applied the amendment prospectively to financial liabilities that are modified or exchanged on or after 1 January 2022. As there was no modification of the Group's financial liabilities during the period, the amendment did not have any impact on the financial position or performance of the Group.
 - HKFRS 16 *Leases*: removes the illustration of payments from the lessor relating to leasehold improvements in Illustrative Example 13 accompanying HKFRS 16. This removes potential confusion regarding the treatment of lease incentives when applying HKFRS 16.

4. Operating segment information

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker is the person or group that allocates resources to and assesses the performance of the operating segments of an entity. The Company has determined the members of the Executive Committee as its chief operating decision maker.

Specifically, the Group's reportable and operating segments are as follows:

- (a) the securities segment comprises the broking and dealing of securities, futures and options contracts and the provision of margin financing services;
- (b) the corporate finance segment provides securities underwriting and sponsoring, financial advisory and financing arrangement services to institutional clients;
- (c) the asset management and direct investment segment comprises provision of asset management services and direct investments in equities, bonds, funds, derivative instruments and other financial products; and
- (d) the financial services and others segment comprises finance lease services, business consulting services, financing services and other related services.

Segment performance is evaluated based on reportable segment result, which is measured consistently with the Group's loss before tax except that certain other income and gains or losses, certain finance costs and other unallocated expenses (including certain staff costs, certain rental expenses, certain depreciation, certain legal and professional fees and certain other expenses, incurred for strategic planning of the Group) are excluded from such measurement.

For the measurement of segment liabilities and results, interest-bearing borrowings are not allocated to segment while their corresponding finance costs are allocated to segment results.



4. Operating segment information (continued)

(a) Operating segments

The following tables represent the revenue and results for the six months ended 30 June 2022 and 2021 for the Group's operating segments:

Six months ended 30 June 2022 (unaudited)

	Securities HK\$'000	Corporate finance HK\$'000	Asset management and direct investment HK\$'000	Financial services and others HK\$'000	Total HK\$'000
Segment revenue					
Commission and fee income	3,394	-	809	-	4,203
Interest income	2,166	-	84,198	25,187	111,551
Investment income	-	-	20,135	-	20,135
	5,560	-	105,142	25,187	135,889
Net loss on financial assets at fair value through profit or loss	-	-	(291,476)	-	(291,476)
Net loss arising from disposal of financial assets at fair value through other comprehensive income	-	-	(19,337)	-	(19,337)
Other income and gains or losses, net	(3,316)	212	22,070	(66,269)	(47,303)
	2,244	212	(183,601)	(41,082)	(222,227)
Segment results	(29,132)	207	(1,066,473)	(262,416)	(1,357,814)
Other unallocated income and gains or losses, expenses, net					(9,198)
Loss before tax					(1,367,012)
Income tax credit					20,439
Loss for the period					(1,346,573)

4. Operating segment information (continued)

(a) Operating segments (continued)

Six months ended 30 June 2021 (unaudited)

	Securities HK\$'000	Corporate finance HK\$'000	Asset management and direct investment HK\$'000	Financial services and others HK\$'000	Total HK\$'000
Segment revenue					
Commission and fee income	13,680	3,242	994	–	17,916
Interest income	13,289	–	220,406	36,011	269,706
Investment income	–	–	1,516	–	1,516
	26,969	3,242	222,916	36,011	289,138
Net gain on financial assets at fair value through profit or loss	–	–	11,413	–	11,413
Net loss arising from disposal of financial assets at fair value through other comprehensive income	–	–	(6,558)	–	(6,558)
Other income and gains or losses, net	–	–	25,653	8,136	33,789
	26,969	3,242	253,424	44,147	327,782
Segment results	(3,234)	(1,928)	(216,924)	(23,647)	(245,733)
Other unallocated income and gains or losses, expenses, net					(81,542)
Loss before tax					(327,275)
Income tax expense					(8,659)
Loss for the period					(335,934)

4. Operating segment information (continued)

(a) Operating segments (continued)

The following tables present the assets and liabilities for the Group's operating segments as at 30 June 2022 and 31 December 2021.

	30 June 2022 (Unaudited) HK\$'000	31 December 2021 (Audited) HK\$'000
Assets		
Securities	1,813,860	1,624,671
Corporate finance	26,116	37,182
Asset management and direct investment	4,423,850	4,979,946
Financial services and others	602,865	1,072,869
Total segment assets	6,866,691	7,714,668
Other unallocated assets	732,686	1,490,563
Total assets	7,599,377	9,205,231
Liabilities		
Securities	537,261	339,570
Corporate finance	–	–
Asset management and direct investment	699,240	1,007,460
Financial services and others	71,568	82,862
Total segment liabilities	1,308,069	1,429,892
Other unallocated liabilities	8,210,198	8,271,333
Total liabilities	9,518,267	9,701,225

4. Operating segment information (continued)

(a) Operating segments (continued)

Other segment information for the six months ended 30 June 2022 (unaudited)

	Securities HK\$'000	Corporate finance HK\$'000	Asset management and direct investment HK\$'000	Financial services and others HK\$'000	Unallocated HK\$'000	Total HK\$'000
Finance costs	-	-	(166,510)	(28,123)	(1,702)	(196,335)
Net provision for impairment of other loans and debt instruments	-	-	(240,125)	-	-	(240,125)
Net provision for impairment of accounts receivable and others	-	-	(331,941)	-	-	(331,941)
Net provision for impairment of advances to customers in margin financing	(7,633)	-	-	-	-	(7,633)
Net provision for impairment of finance lease receivables	-	-	-	(194,280)	-	(194,280)
Net provision for impairment of financial assets at fair value through other comprehensive income	-	-	(45,458)	-	-	(45,458)

Other segment information for the six months ended 30 June 2021 (unaudited)

	Securities HK\$'000	Corporate finance HK\$'000	Asset management and direct investment HK\$'000	Financial services and others HK\$'000	Unallocated HK\$'000	Total HK\$'000
Finance costs	(349)	-	(232,497)	(3,318)	(12,122)	(248,286)
Net provision for impairment of other loans and debt instruments	-	-	(170,119)	-	-	(170,119)
Net provision for impairment of accounts receivable and others	-	-	(96)	-	-	(96)
Net provision for impairment of advances to customers in margin financing	(5,563)	-	-	-	-	(5,563)
Net provision for impairment of finance lease receivables	-	-	-	(47,857)	-	(47,857)
Net provision for impairment of financial assets at fair value through other comprehensive income	-	-	(63,437)	-	-	(63,437)

4. Operating segment information (continued)

(b) Geographical information:

The Group's operations are located in Hong Kong and the Mainland China.

Information about the Group's revenue from external customers is presented based on the location of the operations.

Information about the Group's non-current assets is presented based on the geographical location of the assets.

	Revenue from external customers		Non-current assets	
	For the six months ended		30 June	
	30 June	31 December	30 June	31 December
	2022	2021	2022	2021
	(Unaudited)	(Unaudited)	(Unaudited)	(Audited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Hong Kong	109,774	239,201	63,848	95,156
Mainland China	26,115	49,937	6	6
	135,889	289,138	63,854	95,162

Note: Non-current assets excluded financial assets and deferred tax assets.

(c) Information about major customers

During the six months period ended 30 June 2022, one external customer contributed more than 10% of total revenue of the Group (2021: nil):

	30 June	30 June
	2022	2021
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Customer A from asset management and direct investment	18,666	—*

* Customer A did not contribute more than 10% of total revenue of the Group during the period ended 30 June 2021.

5. Revenue

The Group's revenue is disaggregated as follows:

	For the six months ended 30 June	
	2022 (Unaudited) HK\$'000	2021 (Unaudited) HK\$'000
<i>Revenue from contracts with customers</i>		
Commission and fee income (note (i)):		
Fee and commission income on securities dealing and brokerage	3,323	12,651
Consultancy and financing advisory fee income	8	3,344
Fund subscription and management fee income	809	995
Other service income	63	926
	4,203	17,916
<i>Revenue from other sources</i>		
Interest income:		
Interest income calculated using the effective interest method		
Interest income from other loans and debt instruments	49,237	113,862
Interest income from finance lease receivables	25,187	36,011
Interest income from margin financing activities	2,166	13,289
Interest income from an amount due from an associate	–	11,593
	76,590	174,755
Interest income – others:		
Interest income from financial assets at fair value through profit or loss	27,137	34,240
Interest income from financial assets at fair value through other comprehensive income	7,824	60,711
	34,961	94,951
Total interest income	111,551	269,706
Investment income:		
Dividend income	20,135	1,516
Total revenue	135,889	289,138

Note:

- (i) The commission and fee income is the only revenue arising under the scope of HKFRS 15, while interest income and investment income are under the scope of HKFRS 9. Included in revenue was revenue arising from contracts with customers recognised at a point in time and over time of HK\$3,394,000 (2021: HK\$16,921,000) and HK\$809,000 (2021:HK\$995,000), respectively.

6. Finance costs

	For the six months ended 30 June	
	2022 (Unaudited) HK\$'000	2021 (Unaudited) HK\$'000
Interest on bank borrowings	21,714	43,989
Interest on repurchase agreements and other activities	5,922	14,485
Interest on a loan from a fellow subsidiary	1,437	14,723
Interest on loans from an immediate holding company	50,298	49,909
Interest on loans from an intermediate holding company	115,262	122,212
Interest on lease liabilities	1,702	2,968
	196,335	248,286

7. Loss before tax

The Group's loss before tax is arrived at after charging:

	For the six months ended 30 June	
	2022 (Unaudited) HK\$'000	2021 (Unaudited) HK\$'000
Depreciation of property, plant and equipment	6,289	6,435
Depreciation of right-of-use assets	25,396	25,646
Auditor's remuneration – interim review	1,763	1,725
Legal and professional fee	14,780	7,532
Employee benefit expenses (including directors' remuneration)	31,672	33,655
Net provision for impairment of other loans and debt instruments	240,125	170,119
Net provision for impairment of accounts receivable and others	331,941	96
Net provision for impairment of advances to customers in margin financing	7,633	5,563
Net provision for impairment of finance lease receivables	194,280	47,857
Net provision for impairment of financial assets at fair value through other comprehensive income	45,458	63,437

8. Income tax

	For the six months ended 30 June	
	2022 (Unaudited) HK\$'000	2021 (Unaudited) HK\$'000
Current tax:		
Hong Kong	–	6,541
Mainland China	–	2,118
Over provision in prior years:		
Hong Kong	(20,439)	–
Total tax (credit)/charge for the period	(20,439)	8,659

On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No. 7) Bill 2017 (the “**Bill**”) which introduces the two-tiered profits tax rates regime. The Bill was signed into law on 28 March 2018 and was gazetted on the following day. Under the two-tiered profits tax rates regime, the first HK\$2 million of profits of the qualifying group entity will be taxed at 8.25%, and profits above HK\$2 million will be taxed at 16.5%. The profits of group entities not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%.

The directors of the Company considered the amount involved upon implementation of the two-tiered profits tax rates regime as insignificant to the interim financial information. Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for both periods, if any.

During the six months ended 30 June 2022, no provision for Hong Kong Profits Tax has been made as the Group did not generate any assessable profits arising in Hong Kong. During the six months ended 30 June 2021, Hong Kong Profits Tax has been provided at the rate of 16.5% on the estimated assessable profits arising in Hong Kong.

Under the Law of the People’s Republic of China on Enterprise Income Tax (the “**EIT Law**”) and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% for the period (2021: 25%).

9. Loss per share attributable to ordinary equity holders of the Company

The calculations of basic loss per share attributable to ordinary equity holders of the Company is as follows:

	For the six months ended 30 June	
	2022 (Unaudited) HK\$'000	2021 (Unaudited) HK\$'000
Loss		
Loss for the period attributable to ordinary equity holders of the Company, used in the basic loss per share calculation	(1,457,379)	(446,488)

	For the six months ended 30 June	
	2022 (Unaudited) '000	2021 (Unaudited) '000
Number of shares		
Weighted average number of ordinary shares in issue during the period used in the basic loss per share calculation	8,709,586	8,709,586

No diluted loss per share was presented for both periods because there were no potential dilutive ordinary shares during both the current and prior periods.

10. Financial assets/(liabilities) at fair value through profit or loss

	30 June 2022 (Unaudited) HK\$'000	31 December 2021 (Audited) HK\$'000
Financial assets at fair value through profit or loss ("FVTPL")		
Non-current:		
Unlisted fund investments (note (i))	369,081	1,283,142
Current:		
Unlisted fund investments (note (i))	702,160	259,271
Listed equity investments	140,713	275,300
Listed fixed income securities	916,060	1,084,340
Unlisted fixed income securities (note (ii))	407,479	412,617
	2,166,412	2,031,528
Total financial assets at FVTPL	2,535,493	3,314,670
Financial liabilities at FVTPL		
Current:		
Unlisted foreign exchange forward contracts	–	17,530
Payables to interest holders of an unlisted consolidated investment fund, measured at FVTPL (note (iii))	–	37,558
Total financial liabilities at FVTPL	–	55,088

Notes:

- (i) The Group expects to realise the unlisted fund investments of approximately HK\$702,160,000 (31 December 2021: HK\$259,271,000) within the next twelve months and has accordingly classified them as current assets.
- (ii) The coupon rates of these unlisted fixed income securities range from 7% to 8% (31 December 2021: from 7% to 8%) per annum as at 30 June 2022. The Group expects to transfer such unlisted fixed income securities to third parties within the next twelve months.
- (iii) Third-party interests in an unlisted consolidated investment fund consist of third-party unitholders' interests in an unlisted consolidated investment fund which are classified as liabilities as at 31 December 2021. The interests were redeemed by the third-party unitholders upon the liquidation of the unlisted consolidated investment fund during 2022.

11. Financial assets at fair value through other comprehensive income

	30 June 2022 (Unaudited) HK\$'000	31 December 2021 (Audited) HK\$'000
Non-current		
Fixed income securities, at fair value	189,333	282,549
Current		
Fixed income securities, at fair value	125,981	135,177
	315,314	417,726

During the period, the loss in respect of changes in fair value of the Group's financial assets at FVTOCI recognised in other comprehensive income amounted to approximately HK\$91,968,000 (2021: loss of approximately HK\$18,252,000). During the period, the Group has net provision for impairment of financial assets at fair value through other comprehensive income included in profit or loss of HK\$45,458,000 (2021: HK\$63,437,000). Total allowances for impairment as at 30 June 2022 are approximately HK\$455,269,000 (31 December 2021: HK\$409,811,000). During the period, the Group disposed of financial assets at FVTOCI to independent third parties and a loss of approximately HK\$19,337,000 (2021: loss of approximately HK\$6,558,000) was reclassified from other comprehensive income to profit or loss upon disposal.

Interest income derived from financial assets at FVTOCI was recognised as "interest income from financial assets at fair value through other comprehensive income" within "revenue".

12. Amount due from an associate

Name of entity	Country of incorporation	Interest held by the Group		Principal activities
		30 June 2022	31 December 2021	
Hua Rong Bo Run International Investment Holdings Limited	HK	40%	40%	Investment holding

The carrying amount of total investment in an associate using the equity method (comprised of the cost of unlisted investment in an associate, share of results of an associate and exchange differences) are nil as at 30 June 2022 and 31 December 2021.

The share of profit arisen from Hua Rong Bo Run International Investment Holdings Limited for the period ended 30 June 2022 and 30 June 2021 were nil.

12. Amount due from an associate (continued)

The gross amount due from the associate, Hua Rong Bo Run International Investment Holdings Limited, with an interest rate of 7% per annum, repayable on 21 May 2022, is HK\$308,394,000 (31 December 2021: 304,338,000). Upon the maturity of the amount due from an associate, there is no repayment of principal from the associate. Provision for impairment of HK\$308,394,000 (31 December 2021: HK\$304,338,000) has been made against the amount due from the associate as at 30 June 2022 due to significant financial difficulty of the associate. The carrying amount of the amount due from the associate was nil as at 30 June 2022 (31 December 2021: nil).

13. Finance lease receivables

The finance lease receivables as at 30 June 2022:

	30 June 2022 (Unaudited) HK\$'000
Non-current	19,292
Current	590,388
Total	609,680

	30 June 2022	
	Minimum finance lease receivables HK\$'000	Present value of minimum finance lease receivables HK\$'000
Within one year	1,233,917	1,218,564
After one year but within two years	24,675	23,954
Less: Unearned finance income	1,258,592 (16,074)	1,242,518 –
Less: Allowance for expected credit losses	1,242,518 (632,838)	1,242,518 (632,838)
Carrying amount of finance lease receivables	609,680	609,680

13. Financial lease receivables (continued)

The finance lease receivables as at 31 December 2021:

	31 December 2021 (Audited) HK\$'000
Non-current	40,525
Current	802,332
Total	842,857

	31 December 2021	
	Minimum finance lease receivables HK\$'000	Present value of minimum finance lease receivables HK\$'000
Within one year	1,294,162	1,262,302
After one year but within two years	50,847	48,683
	1,345,009	1,310,985
Less: Unearned finance income	(34,024)	-
	1,310,985	1,310,985
Less: Allowance for expected credit losses	(468,128)	(468,128)
Carrying amount of finance lease receivables	842,857	842,857

13. Financial lease receivables (continued)

The movements of allowance for expected credit losses on finance lease receivables:

	HK\$'000
At 1 January 2021 (audited)	393,847
Net provision for of impairment for the year	74,281
At 31 December 2021 and 1 January 2022 (audited)	468,128
Net provision for impairment for the period	194,280
Amount written off during the period	(3,668)
Exchange differences on translation of foreign operations	(25,902)
At 30 June 2022 (unaudited)	632,838

At 30 June 2022 and 31 December 2021, finance lease receivables were all secured by the lease assets which are mainly machineries, motor vehicles and equipment. Interest rates of the above finance leases ranged from 6.80% to 9.75% per annum (31 December 2021: 6.80% to 9.75% per annum).

14. Other loans and debt instruments

	30 June 2022 (Unaudited) HK\$'000	31 December 2021 (Audited) HK\$'000
Other loans and debt instruments	4,285,435	4,424,794
Less: Allowance for expected credit losses	(3,392,222)	(3,281,871)
	893,213	1,142,923
Non-current	655,339	815,049
Current	237,874	327,874
	893,213	1,142,923

As at 30 June 2022, other loans and debt instruments included loans to independent third parties which are secured and/or backed by guarantees and collaterals, with contractual interest rates ranging from 6% to 10% per annum (31 December 2021: 6% to 10% per annum).

14. Other loans and debt instruments (continued)

Regular reviews on other loans and debt instruments are conducted by the risk management department based on the latest status of other loans and debt instruments, and the latest announced or available information about the borrowers and the underlying collaterals held. Apart from collateral monitoring, the Group seeks to maintain effective control over its loans and debt instruments in order to minimise credit risk by regularly reviewing the borrowers' and/or guarantors' financial position.

As at 30 June 2022, other loans and debt instruments with a carrying amount of approximately HK\$893,213,000 (31 December 2021: HK\$1,120,423,000) were secured by equity interests in companies listed in Hong Kong, residential properties in Hong Kong, land and properties in Mainland China, land and properties in the United States, and unlisted equity interests which were backed by guarantees from corporates or individuals. There were unsecured other loans and debt instruments with a carrying amount of approximately nil as at 30 June 2022 (31 December 2021: HK\$22,500,000) which were guaranteed by an independent third party.

As at 30 June 2022, the Group has concentration of credit risk as 69% (31 December 2021: 66%) of the total other loans and debt instruments which were due from the Group's five largest borrowing customers. Interest income derived from other loans and debt instruments was recognised as "interest income from other loans and debt instruments" within "revenue".

As at 30 June 2022, other loans and debt instruments of approximately HK\$893,213,000 (2021: HK\$905,049,000) has been overdue or repayable on demand and approximately nil (2021: HK\$237,874,000) was with maturity in 6 months.

The management of the Group estimates the amount of loss allowance for expected credit loss on these credit impaired loan receivables by assessing the present value of estimated future cash flows with the consideration of expected future credit loss of the respective loans which are based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors or borrowers, which include any (i) significant financial difficulty of the debtors or borrowers, (ii) breach of contract or probability that the debtors or borrowers will enter bankruptcy and (iii) the status and progress of financial restructuring, general economic conditions and both the current conditions at the reporting date as well as the forecast of future conditions with significant judgments involved. Moreover, the Group also reviews and assesses the fair value of the collateral received from the customers in determining the impairment with the involvement of third party qualified valuers, if necessary. The assessment of the credit risk and therefore expected cash flows of the respective loan involves a high degree of estimation and uncertainty. In the opinion of the directors of the Company, the impairment provision for the current period is sufficient.

As at 30 June 2022, the average loss rates for 12-month ECL, lifetime ECL (not credit-impaired) and lifetime ECL (credit-impaired) were nil (31 December 2021: nil), 0.01% (31 December 2021: 0.01%) and 84% (31 December 2021: 79%) respectively.

14. Other loans and debt instruments (continued)

As at 30 June 2022, the contractual amount outstanding on other loans and debt instruments that have been written off was HK\$129,774,000 (31 December 2021: HK\$27,513,000).

Novation loans

The Hong Kong economy has been greatly impacted by the US and China trade tariff dispute and worsened further by the recent Coronavirus outbreak, certain margin clients concerned have been unable to repay the margin loans as scheduled despite the vigorous efforts by the Group to demand repayment. The margin loan recovery plan has met these major obstacles unexpected and not been able to deliver satisfactory results to date.

According to Paragraphs 3.10 and 6.4 of Guidelines for Securities Margin Financing Activities (“**SMF Guidelines**”), a Securities Margin Financing (“**SMF**”) broker should assess the concentration risks of individual securities collateral by estimating the impact on its excess liquid capital of the hypothetical stress scenario of the securities held as collateral being valued at zero by the FRR for liquid capital calculation purposes and a SMF broker should also take reasonable steps to avoid excessive exposure to outstanding margin calls.

In order to comply with the requirements of the SMF Guidelines, a subsidiary of the Company (“**subsidiary A**”) had notified the Securities and Futures Commission (“**SFC**”) as at 6 March 2020 that it has worked out various alternative measures.

Thereafter, subsidiary A of the Company had taken action to restructure certain margin loans and underlying collaterals into certain loans backed by security interest and guarantee (if any) by assigning the debts and other rights and interests to subsidiary B of the Company (“**subsidiary B**”) through executing agreements with certain margin customers and their guarantors (if any). Subsidiary A has signed deeds of assignment with certain margin customers which were effective on 30 April 2020 and the subsidiary A thereby assigned certain advances to customers in margin financing to subsidiary B. Subsidiary B also signed side deeds during 2020 with subsidiary A that, in consideration for the abovementioned assignment of debts and other rights and interests, subsidiary B will pay a gross amount of HK\$2,447,008,000 at transaction price to subsidiary A for the transfer within 3 years. This balance is unsecured and interest-free.

As at 30 June 2022, there was a further reduction in the carrying amount of the assigned loans as compared to the position as at the assignment date as a result of increase of provision for impairment. The assigned loans have gross amount of HK\$2,432,509,000 (31 December 2021: HK\$2,432,509,000) and allowance for expected credit losses of HK\$1,777,170,000 (31 December 2021: HK\$1,617,460,000), resulting in a net balance of HK\$655,339,000 (31 December 2021: HK\$815,049,000).

15. Advances to customers in margin financing

	30 June 2022 (Unaudited) HK\$'000	31 December 2021 (Audited) HK\$'000
Advances to customers in margin financing	911,237	904,909
Less: Allowance for expected credit losses	(868,804)	(861,171)
	42,433	43,738

The advances to customers in margin financing are interest-bearing and secured by the underlying pledged securities. The Group maintains a list of approved securities for margin lending at a specific loan to collateral ratio. Any excess in the lending ratio will trigger a margin call in the case of which the customers have to make additional funds for the shortfall.

No ageing analysis is disclosed as in the opinion of the directors of the Company, the ageing analysis does not give additional value in the view of the revolving nature of the business of securities margin financing.

The Group allows a credit period of up to the settlement dates of the respective securities, futures, options transactions or a credit period mutually agreed with the contracting parties. Each customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables so as to minimise its credit risk. Advances to customers margin financing are secured by the pledge of customers' securities as collateral. The credit facility limits to customers in margin financing are determined by the market value of the collateral securities accepted by the Group. Overdue balances are reviewed regularly by the management.

As at 30 June 2022, the Group has concentration of credit risk as 93% (31 December 2021: 93%) of the total loans to securities margin clients due from the Group's five largest securities margin clients.

15. Advances to customers in margin financing (continued)

In determining the allowances for credit impaired loans to margin clients, the management of the Group also takes into account the shortfall by comparing the market value of securities pledged as collateral and the outstanding balance of loan to margin clients individually taking into account of subsequent settlement or executable settlement plan and restructuring arrangements. The management of the Group estimates the amount of expected credit loss allowance on these credit impaired loan receivables by assessing the present value of estimated future cash flows with the consideration of expected future credit losses of the respective loans which are based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors or borrowers, which include any (i) significant financial difficulty of the debtors or borrowers, (ii) breach of contract or probability that the debtors or borrowers will enter bankruptcy and (iii) the status and progress of financial restructuring, general economic conditions and both the current conditions at the reporting date as well as the forecast of future conditions with significant judgments involved. Moreover, the Group also reviews and assesses the market value of the collateral received from the customers in determining the impairment with the involvement of independent qualified valuers, if necessary. The assessment of the credit risk and therefore expected cash flows of the respective loan involves a high degree of estimation and uncertainty. In the opinion of the directors of the Company, the impairment provision for the current period is sufficient.

As at 30 June 2022, the average loss rates for 12-month ECL, lifetime ECL (not credit-impaired) and lifetime ECL (credit-impaired) were 0.55% (31 December 2021: 0.34%), nil (31 December 2021: nil), and 99% (31 December 2021: 98%) respectively.

As at 30 June 2022 and 31 December 2021, the contractual amount outstanding on advances to customers in margin financing that have been written off, but were still subject to enforcement activity was nil.

During 2020, subsidiary A has signed deeds of assignment with certain margin customers effective on 30 April 2020 which is detailed in note 14.



16. Accounts receivable

	30 June 2022 (Unaudited) HK\$'000	31 December 2021 (Audited) HK\$'000
Accounts receivable from:		
– securities, futures and options dealing services	832	507
– clients	144,281	367,788
– brokers, dealers and clearing houses	77,890	90,925
– corporate finance and asset management	637,286	637,286
– direct investment and others		
	860,289	1,096,506
Less: Allowance for expected credit losses	(608,360)	(276,419)
	251,929	820,087

Accounts receivable from clients, brokers, dealers and clearing houses arising from the business of dealing in securities are repayable on demand subsequent to settlement date and bear variable interests at commercial rates. The normal settlement terms of accounts receivable arising from the business of dealing in securities are two days after trade date or at specific terms agreed with clients, brokers and dealers, and that of accounts receivable arising from the business of dealing in futures and options are one day after trade date.

Normal settlement terms of accounts receivable arising from the business of corporate finance and asset management are determined in accordance with the agreed terms, usually within 3 months after the service was provided.

An ageing analysis of the Group's accounts receivable, based on the trade date and net of allowance for expected credit losses, is as follows:

	30 June 2022 (Unaudited) HK\$'000	31 December 2021 (Audited) HK\$'000
0–30 days	144,803	820,043
31–90 days	30	44
91–365 days	107,096	–
Over 365 days	–	–
	251,929	820,087

16. Accounts receivable (continued)

The movements in allowance for expected credit losses of accounts receivable are as follows:

	30 June 2022 (Unaudited) HK\$'000	31 December 2021 (Audited) HK\$'000
At beginning of period/year	276,419	91,164
Net provision for impairment	331,941	185,255
At end of period/year	608,360	276,419

For accounts receivable from clients, the management ensures that the available cash balance and listed equity securities belonging to accounts receivable client in which the Group holds as custodian are sufficient to cover the amounts due to the Group. For the remaining accounts receivable that are overdue, management maintains effective control over the repayment schedule and assesses the latest status of the debtors.

As at 30 June 2022, accounts receivable amounting to HK\$77,890,000 (31 December 2021: HK\$90,925,000) arose from corporate finance and asset management business which is under the scope of HKFRS 15 and accounts receivable amounting to HK\$637,286,000 (31 December 2021: HK\$637,286,000) arose from direct investment business. The Group performs impairment assessment under lifetime ECL on these balance individually for debtors. As at 30 June 2022, allowance amounting to HK\$608,080,000 (31 December 2021: HK\$276,141,000) was made accordingly.

The remaining allowance for expected credit losses of accounts receivable is the provision for individually impaired accounts receivable from securities clients of approximately HK\$280,000 (31 December 2021: HK\$278,000).

17. Restricted bank balances

The Group maintains segregated trust accounts with licenced banks to hold clients' monies arising from its normal course of business licenced by the Securities and Futures Commission. The Group has classified these clients' monies as restricted bank balances under the current assets section of the condensed consolidated statement of financial position and recognised the corresponding amounts payable to the respective clients on the ground that it is liable for any loss or misappropriation of these clients' monies. The Group is not permitted to use the clients' monies to settle its own obligations.

18. Cash and deposits with banks

	30 June 2022 (Unaudited) HK\$'000	31 December 2021 (Audited) HK\$'000
Cash and bank balances	2,353,167	1,760,541
Time deposits with original maturity of less than three months	10,002	78,982
Cash and cash equivalents	2,363,169	1,839,523
Time deposits with original maturity of more than three months	13,527	13,261
Total cash and deposits with banks	2,376,696	1,852,784

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short-term time deposits are made for varying periods of between one day and three months depending on the immediate cash requirements of the Group, and earn interest at the respective short-term time deposit rates. The bank balances are deposited with creditworthy banks with no recent history of default.

As at 30 June 2022 and 31 December 2021, no time deposit has been pledged for a bank borrowing.

Included in the cash and cash equivalents as at 30 June 2022 are clients' monies of approximately HK\$343,949,000 arising from its normal course of business licensed by the Securities and Futures Ordinance. These clients' monies were transferred to the segregated trust accounts as restricted bank balances on 4 July 2022.

19. Accounts payable

An ageing analysis of the Group's accounts payable, based on the settlement due date, is as follows:

	30 June 2022 (Unaudited) HK\$'000	31 December 2021 (Audited) HK\$'000
Current to 1 month	507,213	224,432

The accounts payable are unsecured and repayable on the settlement date of the relevant trades or upon demand from customers.

As at 30 June 2022, accounts payable with a carrying amount of approximately HK\$161,115,000 (31 December 2021: HK\$224,115,000) are interest-bearing at bank savings deposit rates.

20. Other liabilities, payables and accruals

	30 June 2022 (Unaudited) HK\$'000	31 December 2021 (Audited) HK\$'000
Current:		
Other payables	123,588	118,730
Interest payables (note (i))	53,180	70,963
Accruals	18,480	11,578
Receipt in advance	108,640	109,181
	303,888	310,452
Non-current:		
Other payables	3,504	1,416
	307,392	311,868

Other payables and accrued liabilities are non-interest-bearing.

Note:

- (i) Included in interest payables are the interest payables amounting to HK\$31,412,000 (31 December 2021: HK\$29,329,000) in relation to the loans from an intermediate holding company of an aggregate amount of US\$555,115,000 (31 December 2021: US\$605,115,000) at annual interest rates ranging from 4.3% to 7.98% (31 December 2021: 4.3% to 7.98%) and HK\$76,000 (31 December 2021: HK\$20,064,000) interest payable in relation to bank borrowings. Moreover, interest payables of HK\$20,296,000 (31 December 2021: HK\$20,168,000) are related to the loans from an immediate holding company and HK\$1,396,000 (31 December 2021: HK\$1,402,000) are related to unsecured loans from fellow subsidiaries.

21. Interest-bearing borrowings

	30 June 2022 (Unaudited) HK\$'000	31 December 2021 (Audited) HK\$'000
Non-current:		
Unsecured loans from an intermediate holding company	4,356,455	4,245,740
Unsecured loans from an immediate holding company	2,047,816	1,681,869
An unsecured loan from a fellow subsidiary	58,466	–
	6,462,737	5,927,609
Current:		
Unsecured bank borrowings	1,599,000	1,599,000
An unsecured loan from a fellow subsidiary	–	61,155
Unsecured loans from an immediate holding company	–	352,956
Unsecured loans from an intermediate holding company	–	472,986
	1,599,000	2,486,097
Total interest-bearing borrowings	8,061,737	8,413,706

	30 June 2022 (Unaudited) HK\$'000	31 December 2021 (Audited) HK\$'000
The carrying amounts of the above borrowings are repayable based on scheduled repayment dates set out in the loan agreements:		
On demand or within one year	1,599,000	2,486,097
Within a period of more than one year but not exceeding two years	3,013,982	237,723
Within a period of more than two years but not exceeding five years	1,949,912	2,912,600
More than five years	1,498,843	2,777,286
	8,061,737	8,413,706

21. Interest-bearing borrowings (continued)

	30 June 2022 (Unaudited) HK\$'000	31 December 2021 (Audited) HK\$'000
Denominated in:		
HK\$	1,599,000	1,599,000
US\$	6,404,271	6,753,551
RMB	58,466	61,155
	8,061,737	8,413,706

The bank borrowings as at 30 June 2022 carry variable interest at Hong Kong Interbank Offered Rate (“**HIBOR**”) plus 2.2% to 2.45% per annum (31 December 2021: HIBOR plus 2.2% to 2.35% per annum).

In addition, the Group had loans amounting to approximately US\$555,115,000 (equivalent to approximately HK\$4,356,455,000) (31 December 2021: US\$605,115,000 (equivalent to approximately HK\$4,718,726,000)) from its intermediate holding company, for the operation of the Group’s business. The loans bear interest at fixed interest rates ranging from 4.3% to 7.98% per annum (31 December 2021: 4.3% to 7.98% per annum) and are repayable after one year and within eight years (31 December 2021: in five months and within eight years) from the end of the reporting period.

Furthermore, the Group had loans amounting to approximately US\$260,940,000 (equivalent to approximately HK\$2,047,816,000) (31 December 2021: US\$260,940,000 (equivalent to approximately HK\$2,034,825,000)) from its immediate holding company, for the operation of the Group’s business. The loans bear interest at fixed interest rates ranging from 3.87% to 5.81% per annum (31 December 2021: 3.87% to 5.81% per annum) and are repayable after two years and within seven years (31 December 2021: in six months and within eight years) from the end of the reporting period.

In addition, the Group had a loan of RMB50,000,000 (equivalent to approximately HK\$58,466,000) (31 December 2021: RMB50,000,000 (equivalent to approximately HK\$61,155,000)) from its fellow subsidiary, for the operation of the Group’s business. The loans bear interest at fixed interest rates 4.75% per annum (31 December 2021: 4.75% per annum) and are repayable in two years (31 December 2021: repayable on demand) from the end of the reporting period.

The carrying amounts of the interest-bearing borrowings approximate their fair values as the impact on discounting is not significant.

21. Interest-bearing borrowings (continued)

As at 30 June 2022 and 31 December 2021, the Group failed to comply with a financial condition stipulated in a bank borrowing amounting to HK\$624,000,000. In August 2022, the relevant bank granted a waiver to the Group and continued to provide normal banking facilities to the Group.

Subsequent to 30 June 2022, the Group communicated and confirmed with various banks related to certain bank borrowings. Pursuant to the agreements with the banks, the next review dates of bank borrowings of HK\$775 million, HK\$200 million and HK\$624 million will be October 2022, October 2022 and August 2023, respectively.

22. Share capital

	Number of shares '000,000	Share capital HK\$'000
Authorised:		
Ordinary shares of HK\$0.001 each at 1 January 2021, 31 December 2021, 1 January 2022 and 30 June 2022	1,000,000	1,000,000
Issued and fully paid:		
At 1 January 2021 (audited), 31 December 2021 (audited), 1 January 2022 (audited) and 30 June 2022 (unaudited)	8,710	8,710

23. Repurchase agreements

Repurchase agreements arise when the securities are sold by the Group with a concurrent agreement to repurchase at a specified later date and price. These securities are not derecognised from the Group's condensed consolidated statement of financial position and are retained within the appropriate financial assets classification. The amount received by the Group is recognised as liabilities as the Group retains substantially all risks and returns of the securities.

As at 30 June 2022, the obligations under repurchase agreements were HK\$452,883,000 (31 December 2021: HK\$474,139,000).

The following table specifies the amount included within financial assets at fair value through profit or loss and financial assets at fair value through other comprehensive income subject to repurchase agreements at the period end/year end.

	30 June 2022 (Unaudited) HK\$'000	31 December 2021 (Audited) HK\$'000
Financial assets at fair value through other comprehensive income	198,176	259,658
Financial assets at fair value through profit or loss	478,499	536,351
	676,675	796,009

24. Perpetual capital securities classified as equity instruments

	Principal HK\$'000	Distributions HK\$'000	Total HK\$'000
Balance at 1 January 2021 (audited)	2,737,154	18,718	2,755,872
Profit attributable to holder of perpetual capital securities	–	157,324	157,324
Distributions relating to perpetual capital securities	–	(157,415)	(157,415)
Balance at 31 December 2021 (audited) and 1 January 2022 (audited)	2,737,154	18,627	2,755,781
Profit attributable to holder of perpetual capital securities	–	79,218	79,218
Distributions relating to perpetual capital securities	–	(32,933)	(32,933)
Balance at 30 June 2022 (unaudited)	2,737,154	64,912	2,802,066

On 4 July 2022, the Group had distributed approximately HK\$46,342,000 to holder of perpetual capital securities.

25. Related party transactions

In addition to the transactions and balances disclosed elsewhere to the interim financial information, the Group had the following related party transactions during the period:

- (a) Compensation of key management personnel of the Group, including directors' and the chief executive's remuneration, is as follows:

	For the six months ended 30 June	
	2022 (Unaudited) HK\$'000	2021 (Unaudited) HK\$'000
Short-term employee benefit	1,387	2,629

25. Related party transactions (continued)

- (b) During the period ended 30 June 2022 and 30 June 2021, the Group had the following material transactions with related parties:

	For the six months ended	
	30 June	
	2022	2021
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Interest expenses to an intermediate holding company (note (i))	115,262	122,212
Interest income from amount due from an associate (note (ii))	–	11,593
Interest expense to a fellow subsidiary (note (iii))	1,437	14,723
Interest expense to an immediate holding company (note (iv))	50,298	49,909

Notes:

- (i) During the period, CHIH, an intermediate holding company provided an aggregate amount of approximately US\$555,115,000 (equivalent to approximately HK\$4,356,455,000) (31 December 2021: approximately US\$605,115,000 (equivalent to approximately HK\$4,718,726,000)) company loans. Please refer to note 21 for details of the loans and note 20 for the interest payable of the loans. Approximately HK\$115,262,000 (30 June 2021: HK\$122,212,000) interest expenses are incurred from the loans as at 30 June 2022.
- (ii) During the period ended 30 June 2022, the Group earned interest income of nil (30 June 2021: HK\$11,593,000) from an amount due from an associate.
- (iii) During the period, a fellow subsidiary provided an aggregate amount of approximately RMB50,000,000 (equivalent to approximately HK\$58,466,000) (31 December 2021: approximately RMB50,000,000 (equivalent to approximately HK\$61,155,000)) company loan for operation of the Group's business. As a result, finance cost paid to the fellow subsidiary of HK\$1,437,000 (30 June 2021: HK\$14,723,000) was incurred for the period ended 30 June 2022.
- (iv) During the period, an immediate holding company Right Select International Limited provided an aggregate amount of approximately US\$260,940,000 (equivalent to HK\$2,047,816,000) (31 December 2021: approximately US\$260,940,000 (equivalent to approximately HK\$2,034,825,000)) company loans for the operation of the Group's business. As a result, finance cost paid to an immediate holding company of HK\$50,298,000 (30 June 2021: HK\$49,909,000) was incurred for the period ended 30 June 2022.
- (v) On 29 April 2022, CHIH entered into a rental agreement with the Company to rent certain office areas in China Huarong Tower, 60 Gloucester Road, Wanchai, Hong Kong, and car parking spaces to the Company for the Group's operations from May 2022 to July 2023 at a nominal rent amount.

The Group is indirectly controlled by China Huarong. The MOF is one of the major shareholders of China Huarong as at 30 June 2022. For the current period, in addition to those disclosed above, the Group has undertaken transactions with certain entities directly or indirectly owned by the PRC government, including but not limited to receiving loan facilities. The Group is of opinion that these transactions are in normal business terms that do not require separate disclosure.

26. Fair value measurements of financial instruments

The following tables illustrate the fair value measurement hierarchy of the Group's financial instruments:

30 June 2022 (unaudited)

	Fair value measurement using			Total HK\$'000
	Quoted prices in active markets (Level 1) HK\$'000	Significant observable inputs (Level 2) HK\$'000	Significant unobservable inputs (Level 3) HK\$'000	
Assets				
Non-current				
Financial assets at fair value through other comprehensive income	–	189,333	–	189,333
Financial assets at fair value through profit or loss				
– Unlisted fund investments	–	–	369,081	369,081
	–	189,333	369,081	558,414
Current				
Financial assets at fair value through other comprehensive income	–	125,981	–	125,981
Financial assets at fair value through profit or loss				
– Unlisted fund investments	–	219,852	482,308	702,160
– Listed equity investments	127,176	–	13,537	140,713
– Listed fixed income securities	–	916,060	–	916,060
– Unlisted fixed income securities	–	–	407,479	407,479
	127,176	1,261,893	903,324	2,292,393
Total financial assets measured at fair value	127,176	1,451,226	1,272,405	2,850,807

26. Fair value measurements of financial instruments (continued)

31 December 2021 (audited)

	Fair value measurement using			Total HK\$'000
	Quoted prices in active markets (Level 1) HK\$'000	Significant observable inputs (Level 2) HK\$'000	Significant unobservable inputs (Level 3) HK\$'000	
Assets				
Non-current				
Financial assets at fair value through other comprehensive income	–	282,549	–	282,549
Financial assets at fair value through profit or loss				
– Unlisted fund investments	–	403,441	879,701	1,283,142
	–	685,990	879,701	1,565,691
Current				
Financial assets at fair value through other comprehensive income	–	135,177	–	135,177
Financial assets at fair value through profit or loss				
– Unlisted fund investments	–	7,902	251,369	259,271
– Listed equity investments	275,300	–	–	275,300
– Listed fixed income securities	–	1,084,340	–	1,084,340
– Unlisted fixed income securities	–	–	412,617	412,617
	275,300	1,227,419	663,986	2,166,705
Total financial assets measured at fair value	275,300	1,913,409	1,543,687	3,732,396
Liabilities				
Current				
Financial liabilities at fair value through profit or loss				
– Payables to interest holders of an unlisted consolidated investment funds, measured at FVTPL	–	37,558	–	37,558
– Unlisted foreign exchange forward contracts	–	17,530	–	17,530
Total financial liabilities measured at fair value	–	55,088	–	55,088

27. Fair value and fair value hierarchy of financial instruments

Fair value of the Group's financial assets/(liabilities)

Some of the Group's financial assets/(liabilities) are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets/(liabilities) are determined (in particular, the valuation technique(s) and inputs used), as well as the level of the fair value hierarchy into which the fair value measurements are categorised (levels 1 to 3) based on the degree to which the inputs to the fair value measurements are observable.

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active market for identical assets or liabilities;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

An analysis of the Group's financial assets/(liabilities) measured at fair value as at 30 June 2022 and 31 December 2021 are as follows:

	Fair value as at 30 June 2022 (unaudited) HK\$'000	Fair value as at 31 December 2021 (audited) HK\$'000	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable inputs	Reasonable change in key inputs +/-	Increase/(decrease) in fair value of financial instruments by reasonable changes in significant inputs
Financial assets at FVTPL							
(1) Financial assets at FVTPL	Listed equity investments: - HK\$127,176	Listed equity investments: - HK\$176,577	Level 1	Note (a)	N/A	N/A	N/A
(2) Financial assets at FVTPL	Listed equity investments (suspended in trading): - HK\$13,537	Listed equity investments: - HK\$98,723	Level 3 (2021: Level 1)	Note (h) (2021: Note(a))	Market multiple (2021: N/A)	10% (2021: N/A)	Increase/decrease of HK\$1,354,000/ HK\$(1,354,000) (2021: N/A)
(3) Financial assets at FVTPL	Listed fixed Income securities: - HK\$916,060	Listed fixed Income securities: - HK\$1,084,340	Level 2	Note (b)	N/A	N/A	N/A
(4) Financial assets at FVTPL	Unlisted fund investments: - HK\$219,852	Unlisted fund investments: - HK\$411,343	Level 2	Note (g)	N/A	N/A	N/A
(5) Financial assets at FVTPL	Unlisted fund investments: - HK\$319,233	Unlisted fund investments: - HK\$356,691	Level 3	Note (d)	Net asset value	1000 basis points	Increase/decrease in net asset value of HK\$31,923,000/HK\$(31,923,000) (31 December 2021: HK\$35,669,000/ HK\$(35,669,000))

27. Fair value and fair value hierarchy of financial instruments (continued)

Fair value of the Group's financial assets/(liabilities) (continued)

	Fair value as at 30 June 2022 (unaudited) HK\$'000	Fair value as at 31 December 2021 (audited) HK\$'000	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable inputs	Reasonable change in key inputs +/-	Increase/(decrease) in fair value of financial instruments by reasonable changes in significant inputs
(6) Financial assets at FVTPL	Unlisted fund investments: - HK\$532,156	Unlisted fund investments: - HK\$774,379	Level 3	Note (d) and (f)	Net asset value	1000 basis points	Increase/decrease in net asset value of HK\$53,216,000/HK\$(53,216,000) (31 December 2021: HK\$77,438,000/ HK\$(77,438,000))
(7) Financial assets at FVTPL	Unlisted convertible bonds: - HK\$407,479	Unlisted convertible bonds: - HK\$412,617	Level 3	Note (c)	Expected recovery rate	1000 basis points	Increase/decrease of HK\$40,748,000/ HK\$(40,748,000) (31 December 2021: HK\$36,000,000/HK\$(36,000,000))
Financial assets at FVTOCI							
(8) Financial assets at FVTOCI	Listed fixed income securities: - HK\$315,314	Listed fixed income securities: - HK\$417,726	Level 2	Note (b)	N/A	N/A	N/A
Financial liabilities at FVTPL							
(9) Financial liabilities at FVTPL	nil	Payables to interest holders of an unlisted consolidated investment funds, measured at FVTPL: - HK\$37,558	Level 2	Note (e)	N/A	N/A	N/A
(10) Financial liabilities at FVTPL	nil	Unlisted foreign exchange forward contracts - HK\$17,530	Level 2	Note (b)	N/A	N/A	N/A

Notes:

- Quoted price in an active market.
- The fair value was determined with reference to quoted prices provided by brokers/financial institutions.
- The fair value is determined based on the expected recovery rate of the underlying investments.
- The fair value is determined with reference to the net asset value of the investment fund after taking into account the credit risk of underlying investments of the fund.
- The fair value was determined based on the proportional share of the net asset value of a consolidated investment fund.
- The fair value is determined with reference to the net asset value of the unlisted equity investments after taking into account the credit risk of the underlying investments of the fund.
- Dealing price of the investment funds derived from the net asset values of the investment funds with reference to observable quoted prices of underlying investment portfolio in active markets.
- The fair value is determined based on market approach, using the price-to-book ratio of comparable companies.

The directors of the Company consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate their fair values.

27. Fair value and fair value hierarchy of financial instruments (continued)

Fair value of the Group's financial assets/(liabilities) (continued)

The reconciliation of the Group's Level 3 fair value measurements of financial assets is as follows:

	30 June 2022 (Unaudited) HK\$'000	30 June 2021 (Unaudited) HK\$'000
Financial assets:		
At beginning of the period	1,543,687	2,741,636
Transfer into level 3	13,537	–
Purchased during the period	–	4,052
Disposed during the period	(231,394)	(31,251)
Total loss in profit or loss	(53,425)	(2,464)
Total loss in other comprehensive income	–	(6,389)
At end of the period	1,272,405	2,705,584

For the period ended 30 June 2022, the total loss for the period included in profit or loss was HK\$53,425,000 (2021: loss of HK\$2,464,000) which relates to financial assets at FVTPL and the total loss in other comprehensive income was nil (2021: HK\$6,389,000) which relates to financial assets at FVTOCI at the end of each reporting period respectively. Fair value gains or losses on financial assets at FVTPL are included in “net gains/(losses) on financial assets at fair value through profit or loss” and fair value gains or losses on financial liabilities are included in “other income and gains or losses, net”.

28. Contingent liabilities

The Group had no material contingent liabilities at 30 June 2022 and 31 December 2021.

29. Dividends

No dividend was paid to the shareholders of the Company for the six months ended 30 June 2022 and 30 June 2021.

The Board has resolved not to declare the payment of any interim dividend for the six months ended 30 June 2022 and 30 June 2021.

30. Deed of undertaking to a fund

A subsidiary of the Company (“**subsidiary X**”) acted as general partner for a fund (“**the Fund**”) set up in 2016. Third party A acting as the sole limited partner invested HK\$950 million into the Fund. Third party B and another subsidiary of the Company (“**subsidiary Y**”) both acted as fund managers. Third party A and B are related parties to each other. Subject to the terms of the limited partnership agreement, if the investment return is greater than or equal to 6% per annum, third party A is entitled to receive a return of 6% per annum from the Fund’s assets. Third party B is entitled to receive management fee of 0.5% per annum of the capital commitment of each limited partner. If the investment return is greater than 6% per annum, the excess will be received by the subsidiary Y as performance fee. Subsidiary Y is also entitled to receive management fee of 1% per annum of the capital commitment of each limited partner. The business substance of the Fund is for third party A to lend money to third party C.

Subsidiary Y signed a deed of undertaking to the Fund in 2016. The Company also issued a comfort letter to third party A. Subsidiary Y undertakes to the Fund to use all feasible endeavours to facilitate the Fund to perform its obligations. Subsidiary Y also undertakes to the Fund to serve as liquidity provider. Based on the legal assessment, it is considered that the comfort letter and the deed of undertaking did not constitute guarantee obligations of the Company, subsidiary X and Y as at 31 December 2021 and 30 June 2022.

31. Events after the end of the reporting period

After the end of the Period, the Group has the following subsequent events:

To strengthen the capital of the Group and support its financing activities, on 29 August 2022, the Company entered into two subscription agreements with CHIH, under which the Company, as the issuer, agrees to issue to CHIH (1) 6.86 percent unsubordinated perpetual securities in a principal amount of US\$275 million on 13 September 2022; and (2) 6.86 percent unsubordinated perpetual securities in a principal amount of US\$215 million on 2 November 2022, both at an issue price equal to 100 percent of the respective principal amounts of the Perpetual Securities, and CHIH, as the subscriber, agrees to subscribe the Perpetual Securities on the respective closing dates at the issue price.



SUPPLEMENTARY INFORMATION

Impairment of publicly-issued bonds and the finance lease business

I. Impairment of publicly issued bonds

The Group invests in publicly-issued bonds from time to time according to the investment strategy. These bonds are classified as financial assets at fair value through other comprehensive income based on the Business Model Test in accordance with the applicable accounting standard. Fair values of these bonds are measured at their open market prices. In respect of the estimation of expected credit losses (“**ECL**”) on these publicly-issued bonds, these bonds are classified into stages 1, 2 or 3 in accordance with the applicable accounting standard. Risk management department of the Company verifies and assesses the information obtained by frontline business teams during its risk management process, and determine the stages of these bonds for provision of ECL.

The amount of impairment of publicly-issued bonds under stage 1 and stage 2 is determined from the ECL model, which is developed by the Company with the assistance of an independent third-party consultant, whereby impairment is measured based on factors such as probability of default, loss given default and exposure at default. Having considered that fair values of these bonds adequately indicate the recoverable value, the amount of impairment of stage 3 publicly-issued bonds is determined according to the market values of these bonds as at the end of a reporting period.

As disclosed in the 2021 Annual Report of the Company, the Group’s impairment losses for financial year 2021 included an impairment provision of HK\$186.73 million arising from the Group’s financial assets at fair value through other comprehensive income. These financial assets at fair value through other comprehensive income mainly represented investment in bonds at a cost of HK\$838.21 million with residual maturities ranging from 1 to 5 years at coupon interest rates ranging from 3% per annum to 16% per annum. Impaired projects involved are mainly:

- Four bonds issued by real estate issuers with a total impairment provision of HK\$44.68 million: Affected by the systemic risk of the domestic real estate industry in the Mainland China in 2021, a number of large-scale domestic real estate corporations defaulted in their debts. Hence, the Company re-classified the aforesaid publicly-issued bonds to Stage 3, and provided for impairment losses according to the market values of these bonds.

- In respect of publicly-issued bonds measured at fair value through other comprehensive income that had already been classified as stage 3, the issuers of these bonds have been in default for a long period of time. While the progress of debt restructurings of these issuers was slow and such restructurings were subject to uncertainties, the Company continued to provide further impairment losses for the year with reference to the market values of these bonds. The major components of the additional impairment included approximately HK\$98.78 million from a bond issued by an airline company and approximately HK\$17.70 million from three bonds issued by a technology company which is under restructuring process.

As at 30 June 2022, two bonds issued by real estate companies included in the Group's financial assets at fair value through other comprehensive income were in default due to the ongoing deterioration of industry and market conditions, and hence were classified as stage 3. Following management's prudent assessment on the credit conditions of the issuers of these two bonds, approximately HK\$48 million impairment losses was made in respect of these two bonds for the Period according to their market values as at the end of the Period.

II. Finance lease business

Impairment of finance lease projects

As one of the financial services business of the Group, the Company provides finance lease services in Mainland China through its indirectly wholly-owned subsidiary Zhongju (Shenzhen) Financial Leasing Co., Ltd. ("**Zhongju Financial Leasing**"). Zhongju Financial Leasing is a wholly-owned subsidiary of HRIV, and has been consolidated into the Group since the privatization of HRIV by the Company in November 2020 (the "**Privatization**").

Zhongju Financial Leasing provides finance lease services mainly by way of sale-and-leaseback model, under which the lessee assigns the ownership of its properties to the lessor and leases the properties back from the lessor for financing purposes. In practice, a lessee enters into a sale-and-purchase agreement with Zhongju Financial Leasing regarding property(ies) for lease to sell such property(ies). Zhongju Financial pays the consideration to acquire the ownership of such property(ies) and then enters into a sale-and-leaseback agreement with the lessee to lease the property(ies) back to the lessee, whereby the lessee pays rental installments to Zhongju Financial Leasing according to the payment schedule.

As at 31 December 2021, Zhongju Financial Leasing held 10 outstanding finance lease projects which were initially invested back in 2017. The total carrying amount of these 10 projects as at the same date was approximately HK\$842.86 million, with approximately 84.57% of which was attributable to the top 5 projects. These 10 projects accounted for approximately 9.16% of the Group's total assets, and none of these projects accounted for more than 5% of the Group's total assets as at the same date.

As at 30 June 2022, the number of outstanding finance lease projects remained unchanged, and the total carrying amount of these projects was HK\$609.68 million, with approximately 87.15% of which was attributable to the top 5 projects. These 10 projects accounted for approximately 8.02% of the Group's total assets, and none of these projects accounted for more than 5% of the Group's total assets as at the same date.

These projects are entered with various counterparties who operate in car leasing, standalone new energy power station, liquefied natural gas production, storage and logistics, cargo aircraft leasing, etc. Finance lease business is conducted in the mainland China, including Guangdong Province, Shannxi Province, Gangsu Province, Xizang Province, etc.

Based on the Group's current business development strategy and positioning, the key focus of the Group's finance lease business will be focusing on the recovery of the outstanding finance lease projects. The Group does not plan to invest in new finance lease projects.

Principal terms of finance lease projects

Depending on credit conditions of customers and the quality of collaterals, duration of finance lease projects ranges from 3 to 5 years while interest rates of finance lease projects range from 6.8% per annum to 9.75% per annum under the respective sale-and-lease back agreements. Margin deposit at a range from 2% to 7% of the financing amount is received. Customers shall repay the outstanding balance on a quarterly basis.

In addition, finance lease receivables are pledged with electrical cable production equipment, solar or wind power generation equipment, transport vehicles, natural gas processing equipment, passenger vehicles and cargo aircrafts, as well as equity interests in companies and real estates.

Credit risk assessment and impairment provision for finance lease projects

9 out of the 10 finance lease projects held by the Group, are classified as stage 3 for ECL estimation. During 2021, the Company performed analysis and forecast on the realisable values of the leased assets and the pledged collaterals. Please refer to section headed "Management Discussion and Analysis – Provision for Impairment" for details of the impairment provision for finance lease projects.

Key internal control measures

The Group adopts the following internal control measures when conducting the finance lease business:

1. Daily risk monitoring

Zhongju Financial Leasing conducts ongoing daily tracking and monitoring of the risks associated with invested projects. In the event of any delay in lease payments or breach of other contract terms by the debtors, the alert signal will be activated and Zhongju Financial Leasing will report the conditions to the risk department and management of the Company in a timely manner, and adopt active measures to alleviate the situation. Meanwhile, Zhongju Financial Leasing also closely monitors the operating and financial conditions of lessees and guarantors, requests them to furnish their financial statements each quarter, conducts on-site visits and inspection of the debtors to obtain information on their business updates, conditions of the leased assets and project progress, and conduct ongoing assessment and analysis of risks associated with them. The Group will also appointed external specialist(s) to conduct valuation of the leased assets at least annually to monitor movements in the value of the leased assets.

2. Actions taken in respect of overdue projects

In the event of overdue loans, Zhongju Financial Leasing will issue a loan call demand note to the debtor and maintain close liaison with the debtor and report the latest progress to the Company's risk department and the management in a timely manner, striving to identify appropriate solutions in a short period of time to eliminate or reduce the project risk. If both parties are unable to reach settlement within a designated timeframe and the risk cannot be alleviated, the Company will resort to a variety of means such as litigation, transfer of credit exposures and introduction of investors to undergo debt restructuring, among others, depending on the current risk conditions of the project. In respect of finance lease projects which are on stage 3, the Company has taken actions to collect payments and will endeavour to eliminate the risk through the aforementioned means.

3. Management and decision-making process

The Company manages its finance lease projects in accordance with the project management requirements for creditor right projects. The Company's Risk Management Department assesses the impairment of financial assets at amortised cost and financial assets at fair value through other comprehensive income on an ongoing basis and communicates with the management and/or the Board in a timely manner in respect of the impact of relevant events on specific projects and on the Group's financial report. The Company's management reviews on a quarterly basis the results of risk classification for credit right projects, including finance lease projects, as examined by the Risk Management Department and reviews on a half-yearly basis the impairment provision amount of such projects as examined by the Risk Management Department, and makes recommendations to the Board accordingly. At the Board level, the Company's Audit Committee convenes a regular meeting each quarter to discuss with the management on the impaired projects and review the audit/review results reported by the external auditor in respect of material accounting matters during the interim review and year-end audit; the Risk Management Committee convenes meetings on a half-yearly basis to receive reports on the development of the Company's risk management organisation and systems, key projects risk updates and impairment provisions and make recommendations for improvement, and supervises the ongoing improvement of the Group's risk and internal control mechanism. The Board is responsible for the final approval of the Company's interim and annual financial reports.

Directors' and chief executive's interests and short positions in shares, underlying shares and debentures

As at 30 June 2022, none of the Directors nor chief executive of the Company or their respective associates had interests or short positions in the Shares, underlying Shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO) or which were required to be recorded in the register required to be kept by the Company under section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

Interests and short positions of substantial shareholders

As at 30 June 2022, so far as was known to the Directors and the chief executive of the Company, the following persons or corporations (other than a Director or chief executive of the Company) who had interests or short positions in the Shares and underlying Shares of the Company which would be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under section 336 of the SFO:

Name of Shareholder	Capacity/ Nature of interest	Number of Shares held	Approximate percentage of the issued share capital of the Company as at 30 June 2022
China Huarong (Notes 1,2 and 3)	Interests in controlled corporation	4,441,556,104 (L)	51.00%
	Interests in controlled corporation (security interest)	2,144,097,429 (L)	24.62%
CHIH (Notes 1 and 3)	Interests in controlled corporation	4,441,556,104 (L)	51.00%
	Interests in controlled corporation (security interest)	135,000,000 (L)	1.55%
Right Select (Note 1)	Beneficial owner	2,611,438,440 (L)	29.98%
Camellia Pacific (Note 1)	Beneficial owner	1,830,117,664 (L)	21.01%
Shinning Rhythm Limited (Note 2)	Security interest	2,009,097,429 (L)	23.07%
China Huarong Overseas Investment Holdings Co., Limited (Note 2)	Interests in controlled corporation (security interest)	2,009,097,429 (L)	23.07%
Huarong Huaqiao Asset Management Co., Ltd. (Note 2)	Interests in controlled corporation (security interest)	2,009,097,429 (L)	23.07%
Huarong Zhiyuan Investment & Management Co., Ltd. ("Huarong Zhiyuan") (Note 2)	Interests in controlled corporation	2,009,097,429 (L)	23.07%
Hero Link Enterprises Limited (Note 4)	Beneficial owner	129,000,000 (L)	1.48%

Name of Shareholder	Capacity/ Nature of interest	Number of Shares held	Approximate percentage of the issued share capital of the Company as at 30 June 2022
China Tian Yuan International Finance Limited (Note 4)	Beneficial owner	646,220,529 (L)	7.42%
	Interests in controlled corporation	129,000,000 (L)	1.48%
China Tian Yuan Finance Group (Holdings) Limited (Note 4)	Interests in controlled corporation	775,220,529 (L)	8.90%
Ningxia Tianyuan Manganese Industry Group Co., Ltd. (Note 5)	Interests in controlled corporation	996,517,500 (L)	11.44%
Tian Yuan Manganese Limited (Note 5)	Interests in controlled corporation	996,517,500 (L)	11.44%
China Tian Yuan Manganese Finance (Holdings) Limited (Note 5)	Interests in controlled corporation	996,517,500 (L)	11.44%
China Tian Yuan Asset Management Limited ("Tian Yuan Asset Management") (Note 5)	Beneficial owner	996,517,500 (L)	11.44%
Mr. Jia Tianjiang (Notes 4 and 5)	Interests in controlled corporation	1,771,738,029 (L)	20.34%
Ms. Dong Jufeng (Notes 4 and 5)	Interests of spouse	1,771,738,029 (L)	20.34%

(L) Long position

Notes:

- (1) 1,830,117,664 Shares are beneficially owned by Camellia Pacific and 2,611,438,440 Shares are beneficially owned by Right Select. Both Camellia Pacific and Right Select are wholly owned by CHIH. CHIH is owned as to 84.84% by China Huarong and 15.16% by Huarong Zhiyuan. Huarong Zhiyuan is wholly owned by China Huarong. Therefore, each of China Huarong and CHIH is deemed or taken to be interested in all the Shares beneficially owned by Camellia Pacific and Right Select by virtue of the SFO.
- (2) 129,000,000 Shares held by Hero Link Enterprises Limited, 646,220,529 Shares held by China Tian Yuan International Finance Limited and 996,517,500 Shares held by China Tian Yuan Asset Management Limited are pledged to Shinning Rhythm Limited, while 237,359,400 Shares held by Power Tiger Investments Limited are pledged to Tian Yuan Investment Holding Co., Limited which in turn has assigned such security interest to Shinning Rhythm Limited. Shinning Rhythm Limited is a wholly-owned subsidiary of China Huarong Overseas Investment Holdings Co., Limited, which is in turn a wholly-owned subsidiary of Huarong Huaqiao Asset Management Co., Ltd. Huarong Huaqiao Asset Management Co., Ltd. is owned as to 91% by Huarong Zhiyuan. Huarong Zhiyuan is a wholly-owned subsidiary of China Huarong. Accordingly, each of China Huarong Overseas Investment Holdings Co., Limited, Huarong Huaqiao Asset Management Co., Ltd., Huarong Zhiyuan and China Huarong is deemed to be interested in the security interest in the 2,009,097,429 underlying Shares held by Shinning Rhythm Limited by virtue of the SFO.

- (3) Fresh Idea Ventures Limited holds direct security interest in 135,000,000 underlying Shares and is a wholly-owned subsidiary of Linewear Assets Limited. Linewear Assets Limited is a wholly-owned subsidiary of the Company, which in turn is owned as to 51% collectively by Camellia Pacific and Right Select. Accordingly, each of CHIH and China Huarong is deemed to be interested in the security interest in the 135,000,000 underlying Shares held by Fresh Idea Ventures Limited by virtue of the SFO.
- (4) China Tian Yuan Finance Group (Holdings) Limited is deemed or taken to be interested in (i) 129,000,000 Shares held by Hero Link Enterprises Limited which is held as to 82% by China Tian Yuan International Finance Limited; and (ii) 646,220,529 Shares held by China Tian Yuan International Finance Limited. China Tian Yuan International Finance Limited is a wholly-owned subsidiary of China Tian Yuan Finance Group (Holdings) Limited, which in turn is wholly-owned by Mr. Jia Tianjiang. Accordingly, each of China Tian Yuan International Finance Limited, China Tian Yuan Finance Group (Holdings) Limited, Mr. Jia Tianjiang and his spouse Ms. Dong Jufeng is deemed to be interested in the 775,220,529 Shares beneficially held by Hero Link Enterprises Limited and China Tian Yuan International Finance Limited by virtue of the SFO.
- (5) 996,517,500 Shares are held by China Tian Yuan Asset Management Limited, which is a wholly-owned subsidiary of China Tian Yuan Manganese Finance (Holdings) Limited, which is in turn a wholly-owned subsidiary of Tian Yuan Manganese Limited, which is in turn a wholly-owned subsidiary of Ningxia Tianyuan Manganese Industry Group Co., Ltd. Ningxia Tianyuan Manganese Industry Group Co., Ltd. is owned as to 99.96% by Mr. Jia Tianjiang. Accordingly, each of China Tian Yuan Manganese Finance (Holdings) Limited, Tian Yuan Manganese Limited, Ningxia Tianyuan Manganese Industry Group Co., Ltd., Mr. Jia Tianjiang and his spouse Ms. Dong Jufeng is deemed to be interested in the 996,517,500 Shares beneficially held by China Tian Yuan Asset Management Limited.

Saved as disclosed above, as at 30 June 2022, no other persons (other than a Director or chief executive of the Company) who had any interest or short position in any Shares or underlying Shares of the Company which would be disclosed to the Company under provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under section 336 of the SFO or which have been notified to the Company and the Stock Exchange.

Events after the end of the period

After the end of the Period, the Group has the following subsequent events:

To strengthen the capital of the Group and support its financing activities, on 29 August 2022, the Company entered into two subscription agreements with CHIH, pursuant to which the Company, as the issuer, agrees to issue to CHIH (1) 6.86 percent unsubordinated perpetual securities in a principal amount of US\$275 million on 13 September 2022; and (2) 6.86 percent unsubordinated perpetual securities in a principal amount of US\$215 million on 2 November 2022, both at an issue price equal to 100 percent of the respective principal amounts of the perpetual securities, and CHIH, as the subscriber, agrees to subscribe the perpetual securities on the respective closing dates at the issue price.

Purchase, sale or redemption of the Company's listed securities

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities during the Period.

Compliance with Corporate Governance Code

Throughout the Period, the Company has complied with all the applicable code provisions of the Corporate Governance Code.

Directors' securities transactions

The Company has adopted the Model Code as its own code of conduct regarding securities transactions by the Directors. In response to a specific enquiry made by the Company, all Directors confirmed that they have complied with the required standards as set out in the Model Code throughout the Period.

Changes in Directors and information of Directors

During the Period and up to the date of this announcement, changes in Directors of the Company are as follows:

- (1) Mr. Xu Xiaowu resigned as Chairman of the Board and an executive Director with effect from 17 June 2022 as he wished to devote more time to his family.
- (2) Mr. Wang Junlai resigned as an executive Director and the Chief Executive Officer with effect from 17 June 2022 owing to other commitments.
- (3) Mr. Zhang Xing has been the Chairman of the Board and a non-executive Director since 17 June 2022.
- (4) Mr. Chen Qinghua has been an executive Director and Chief Executive Officer since 17 June 2022.
- (5) Mr. Lu Xinzhen has been an executive Director since 17 June 2022.
- (6) Ms. Wang Qi resigned as a non-executive director with effect from 8 July 2022 due to changes in work arrangements.

Pursuant to Rule 13.51B of the Listing Rules, changes in information of Directors or chief executive of the Company subsequent to the date of the 2021 annual report of the Company are as follows:

- (1) Mr. Guan Huanfei, an independent non-executive Director, has been an independent non-executive director of Guangdong – Hong Kong Greater Bay Area Holdings Limited (Stock Code: 1396) since 27 June 2022.
- (2) With effect from 15 July 2022, Mr. Hung Ka Hai Clement, an Independent non-executive Director, has resigned as an independent non-executive director of SY Holdings Group Limited (stock code: 6069), whose shares are listed on the Stock Exchange. With effect from 18 July 2022, Mr. Hung Ka Hai Clement has been appointed as an independent supervisor of the supervisory committee of Ping An Insurance (Group) Company of China, Ltd. whose shares are both listed on the Stock Exchange (stock code: 2318) and Shanghai Stock Exchange (stock code: 601318).
- (3) Dr. Lam Lee G., an independent non-executive director, has been an independent non-executive director of RENHENG Enterprise Holdings Limited (Stock Code: 3628) since 30 June 2022 and resigned as an independent non-executive director of National Arts Group Holdings Limited (Stock Code: 8228) since 25 July 2022.

- (4) Mr. Guan Huanfei was the chairman of the board and an executive director of Enterprise Development Holdings Limited (a company listed on the Main Board of the Stock Exchange (stock code: 1808)) (“**Enterprise Development**”) for the period from 2 June 2020 to 22 May 2021. Enterprise Development was found by the Listing Committee of the Stock Exchange to be, among other things, in breach of Rule 2.13(2) of the Listing Rules by publishing inaccurate, incorrect and/or misleading information about an executive director of Enterprise Development in its director appointment announcement dated 3 January 2021 and the notice of AGM of Enterprise Development dated 28 May 2021, but the relevant sanctions of the Stock Exchange did not involve Mr. Guan Huanfei, details of which are set out in the Statement of Disciplinary Action dated 18 July 2022 of the Stock Exchange (the “**Statement**”). Having considered the Statement and the information contained therein, the Board is of the view that the subject matter of the Statement does not in any way relate to the affairs of the Group and there is no evidence casting doubt upon Mr. Guan’s suitability as an independent non-executive Director, and the Board considers that the continuous holding of office by Mr. Guan as an independent non-executive Director is appropriate.
- (5) Mr. Ma Lishan, an independent non-executive Director, is a non-executive director of Silver Base Group Holdings Limited (“**Silver Base**”), which was incorporated in the Cayman Islands on 12 September 2007. Its principal business is the distribution of liquors and cigarettes and its shares are listed on the main board of the Stock Exchange (stock code: 886). On 11 November 2021, Silver Base filed a winding up petition with the Grand Court of the Cayman Islands (the “**Cayman Court**”) for the appointment of provisional liquidators to facilitate its financial restructuring. Silver Base was ordered to be wound up by the Cayman Court on 5 May 2022. The Hong Kong High Court also made a winding up order on 27 July 2022 and the Official Receiver was appointed as the provisional liquidator of Silver Base. Mr. Ma does not hold any management position in Silver Base, nor is he involved in its management and operation, and he is not subject to any claim for being a director of Silver Base. The Board considers that the relevant events do not in any way relate to the affairs of the Group, and there is no evidence casting doubt upon the suitability of Mr. Ma to serve as an independent non-executive Director, and the Board considers that it is appropriate for Mr. Ma to continue to serve as an independent non-executive Director.

Disclosure Pursuant to Rule 13.18 and Rule 13.21 of the Listing Rules

As at 30 June 2022, details of existing banking facilities with covenants relating to specific performance of the Company's controlling shareholder which constitute disclosure obligation pursuant to Rule 13.18 and Rule 13.21 of the Listing Rules are as follows:

Facility Agreement I

The Company, as the borrower, entered into a facility letter with a bank as the lender in relation to an uncommitted revolving loan facility in an aggregate amount of up to US\$100,000,000 or equivalent in Hong Kong dollars (the "**Facility I**") on 28 November 2016, which was supplemented by three supplementary facility letters dated 21 February 2019, 28 April 2021 and 17 May 2022 (the facility letter together with the supplementary facility letters, collectively the "**Facility Agreement I**"), respectively. China Huarong has issued a letter of comfort and has undertaken to maintain its status as the Company's controlling shareholder as long as the Facility I remains outstanding. In addition, under the Facility Agreement I, the Company shall be directly or indirectly at least 51% beneficially owned and controlled by China Huarong throughout the life of the Facility I.

As at 30 June 2022, loan amount outstanding under Facility Agreement I was HK\$775 million. Based on communications with the bank, the next review date of the Facility I will be October 2022. The Company is currently negotiating with the bank to finalise the agreement on renewing Facility Agreement I, and this will be announced after the execution of such agreement.

Facility Agreement II

On 21 May 2020, the Company, as the borrower, entered into a facility letter (the "**Facility Agreement II**") with a bank as the lender to renew an uncommitted revolving loan facility in an aggregate amount of US\$100,000,000 (the "**Facility II**"). The Facility II shall be repaid in full on the date as notified by the bank from time to time at its sole discretion. Under the terms of the Facility Agreement II, the Company shall ensure to remain as the subsidiary of China Huarong and shall ensure that CHIH shall maintain the status of controlling shareholder of the Company. Moreover, China Huarong has issued a letter of comfort and has undertaken to continuously maintain control over the Company as long as the Facility II remains outstanding.

As at 30 June 2022, loan amount outstanding under Facility Agreement II was HK\$624 million. Based on communications with the bank, the next review date of the Facility II will be August 2023.

Facility Agreement III

On 20 January 2021, HRIV, a direct wholly-owned subsidiary of the Company and as the borrower, signed a revolving loan facility letter (the "**Facility Agreement III**") with a bank as the lender for a facility up to an aggregate amount of HK\$200,000,000 (the "**Facility III**"). The Facility III is repayable on demand by the bank. China Huarong has issued a letter of comfort and has undertaken, among others, to continuously maintain control over HRIV as long as the Facility III remains outstanding.

As at 30 June 2022, loan amount outstanding under Facility Agreement III was HK\$200 million. Based on communications with the bank, the next review date of the Facility III will be October 2022. The Company is currently negotiating with the bank to finalise the agreement on renewing Facility Agreement III, and this will be announced after the execution of such agreement.

Facility Agreement IV and Facility Agreement V

- (a) On 25 March 2021, the Company, as the borrower, signed a revolving loan facility letter (the “**Facility Agreement IV**”) with a bank as the lender for a facility up to an aggregate amount of HK\$200,000,000 (the “**Facility IV**”). The Facility IV is repayable on demand by the bank. China Huarong has issued a letter of comfort and has undertaken to, among others, maintain control over the Company as long as the Facility IV remains outstanding.

As at 30 June 2022, loan amount outstanding under Facility Agreement IV was nil.

- (b) On 25 March 2021, Huarong International Securities Limited (“**HRIS**”), a wholly-owned subsidiary of the Company and as the borrower, entered into a revolving loan facility letter (the “**Facility Agreement V**”) with a bank as the lender for a facility up to an aggregate of HK\$100,000,000 (the “**Margin Lending Facility**”), which is used to support HRIS’s margin lending and brokerage business. The Margin Lending Facility is repayable on demand by the bank. China Huarong also issued a letter of comfort and has undertaken to, among others, maintain control over HRIS as long as the Margin Lending Facility remains outstanding.

As at 30 June 2022, loan amount outstanding under Facility Agreement V was nil.

Review of the interim financial information

The audit committee of the Company has reviewed the unaudited interim financial information of the Group for the Period, including the accounting principles and practices adopted by the Group, this report and the interim results announcement for the Period.

The Group’s external auditor, Ernst & Young, has carried out a review of the unaudited interim financial information in accordance with Hong Kong Standard on Review Engagements 2410, “Review of Interim Financial Information Performed by the Independent Auditor of the Entity”, issued by the HKICPA.

DEFINITIONS

“Board”	board of Directors of the Company
“Camellia”	Camellia Pacific Investment Holding Limited, a company incorporated in the British Virgin Islands with limited liability and a controlling shareholder of the Company
“CHIH”	China Huarong International Holdings Limited, a company with limited liability incorporated in Hong Kong and a controlling shareholder of the Company
“China” or “Mainland China” or “PRC”	People’s Republic of China
“China Huarong”	China Huarong Asset Management Co., Ltd.* (中國華融資產管理股份有限公司), a joint stock limited liability company incorporated in the PRC, the issued overseas listed foreign shares of which are listed on the Stock Exchange (stock code: 2799), and a controlling shareholder of the Company
“Company”	Huarong International Financial Holdings Limited, a company incorporated in Bermuda with limited liability, the issued shares of which are listed on the Stock Exchange (stock code: 993)
“controlling shareholder”	has the meaning ascribed to it under the Listing Rules
“Corporate Governance Code”	the Corporate Governance Code as set out in Appendix 14 to the Listing Rules
“Director(s)”	Director(s) of the Company
“Group”	the Company and its subsidiaries
“HK\$”	the Hong Kong dollar, the lawful currency of Hong Kong
“HKAS”	the Hong Kong Accounting Standards
“HKFRS”	the Hong Kong Financial Reporting Standards
“HKICPA”	the Hong Kong Institute of Certified Public Accountants

“Hong Kong”	the Hong Kong Special Administrative Region of PRC
“HRIV”	Huarong Investment Stock Corporation Limited (華融投資股份有限公司), an exempted company incorporated in the Cayman Islands with limited liability and a wholly-owned subsidiary of the Company upon completion of the Privatisation of HRIV
“Last Period”	the period for the six months ended 30 June 2021
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange, as amended, modified or otherwise supplemented from time to time
“Model Code”	the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules
“MOF”	the Ministry of Finance of the PRC
“Period”	the period for the six months ended 30 June 2022, being the financial reporting period of this interim report
“Privatisation of HRIV”	the privatisation of HRIV by the Company by way of a scheme of arrangement under Section 86 of the Companies Law of the Cayman Islands, which became effective on 10 November 2020 (Cayman Islands time)
“Right Select”	Right Select International Limited, a company with limited liability incorporated in the British Virgin Islands and a controlling shareholder of the Company
“RMB”	Renminbi, the lawful currency of the PRC
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Share(s)”	ordinary share(s) in the share capital of the Company
“Shareholder(s)”	holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“US\$”	United States dollar, the lawful currency of the United States
“%”	per cent